

**Certificate of Need Application Form**  
Version 03.2011

Name of Applicant	New England RMS, Inc.
Title of Application	Ocean State Home Care (A Division of New England RMS, Inc.)
Date of Submission	January 10, 2012
Type of review	<input checked="" type="checkbox"/> Regular Review <input type="checkbox"/> Accelerated Review (complete Appendix A) <input type="checkbox"/> Expeditious Review (provide letter from the state agency)
Tax Status of Applicant	<input type="checkbox"/> Non-Profit <input checked="" type="checkbox"/> For-Profit

Pursuant to Chapter 15, Title 23 of The General Laws of Rhode Island, 1956, as amended, and Rules and Regulations for Determination of Need for New Health Care Equipment and New Institutional Health Services (R23-15- CON).

All questions concerning this application should be directed to the Office of Health Systems Development at (401) 222-2788.

Please have the appropriate individual attest to the following:

*"I hereby certify that the information contained in this application is complete, accurate and true."*

Dia. Buell, CEO  
signed and dated by the President or Chief Executive Officer

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## PROJECT DESCRIPTION AND CONTACT INFORMATION

1.) Please provide below an Executive Summary of the proposal.

New England RMS, Inc. ("RMS") is a privately owned company duly incorporated in the state of Rhode Island where it is licensed by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals to provide in-home assistance to adults with developmental disabilities so they may be able to live as independently as possible in the community. RMS also provides vocational assistance to Rhode Islander's with developmental disabilities so they may have the opportunity to work and or participate in otherwise meaningful and productive activities during the day.

Simply stated, the RMS mission is to improve the quality of lives. To that end, RMS proposes to expand its range and scope of services by way of establishing a new division that will provide Home Nursing Care services. If approved by the Rhode Island Department of Health, this new division shall be named ***Ocean State Home Care*** with a single administrative office located in Warwick, Rhode Island. Services will be offered across all of Rhode Island and the new division shall be administered by Wayne T. Stone, M.Ed., RN, RRT, Director of Nursing Services.

2.)

Capital Cost	\$25,400	From responses to Questions 10 and 11
Operating Cost	\$445,000	For the first full year after implementation, from response to Question 18
Date of Proposal Implementation	April / 2012	Month and year

3.) Please provide the following information:

Information of the applicant:

Name:	New England RMS, Inc.	Telephone #:	401-384-6759
Address:	2374 Post Rd., Suite 204, Warwick, RI	Zip Code:	02886

Information of the facility (if different from applicant):

Name:	Ocean State Home Care (A Division of New England RMS, Inc.)	Telephone #:	TBD
Address:	2374 Post Rd., Suite 205, Warwick, RI	Zip Code:	02886

Information of the Chief Executive Officer:

Name:	Dixon A. Buehler, CEO	Telephone #:	614-880-6009
Address:	402 E. Wilson Bridge Rd., Suite A, Worthington, OH	Zip Code:	43085
E-Mail:	<a href="mailto:dbuehler@teamrms.com">dbuehler@teamrms.com</a>	Fax #:	614-880-6033

Information for the person to contact regarding this proposal:

Name:	Robert E. Mann, COO	Telephone #:	401-384-6759
Address:	2374 Post Rd., Suite 204, Warwick, RI	Zip Code:	02886
E-Mail:	rmann@teamrms.com	Fax #:	401-384-6760

4.) Select the category that best describes the facility named in Question 3.

☐ Freestanding ambulatory surgical center ☐ Home Care Provider

☒ Home Nursing Care Provider ☐ Hospital

☐ Hospice Provider

☐ Inpatient rehabilitation center (including drug/alcohol treatment centers)

☐ Multi-practice physician ambulatory surgery center

☐ Multi-practice podiatry ambulatory surgery center

☐ Nursing facility ☐ Other (specify): \_\_\_\_\_

5.) Please select each and every category that describes this proposal.

A. ☒ construction, development or establishment of a new healthcare facility;

B. ☐ a capital expenditure for:

1. ☐ health care equipment in excess of \$2,250,000;

2. ☐ construction or renovation of a health care facility in excess of \$5,250,000;

3. ☐ an acquisition by or on behalf of a health care facility or HMO by lease or donation;

4. ☐ acquisition of an existing health care facility, if the services or the bed capacity of the facility will be changed;

C. ☐ any capital expenditure which results in an increase in bed capacity of a hospital and inpatient rehabilitation centers (including drug and/or alcohol abuse treatment centers);

D. ☐ any capital expenditure which results in an increase in bed capacity of a nursing facility in excess of 10 beds or 10% of facility's licensed bed capacity, which ever is greater, and for which the related capital expenditures do not exceed \$2,000,000

E. ☐ the offering of a new health service with annualized costs in excess of \$1,500,000;

F. ☐ predevelopment activities not part of a proposal, but which cost in excess of \$5,250,000;

G. ☐ establishment of an additional inpatient premise of an existing inpatient health care facility;

H. ☐ tertiary or specialty care services: full body MRI, CT, cardiac catheterization, positron emission tomography, linear accelerators, open heart surgery, organ transplantation, and neonatal intensive care services. Or, expansion of an existing tertiary or specialty care

service involving capital and/or operating expenses for additional equipment or facilities;

### **HEALTH PLANNING AND PUBLIC NEED**

6.) Please discuss the relationship of this proposal to any state health plans that may have been formulated by the state agency, including the Health Care Planning and Accountability Advisory Council, and any state plans for categorically defined programs. In your response, please identify all such priorities and how the proposal supports these priorities.

This proposal is submitted in support of and furtherance of the Real Choices Systems Transformation Grant which began in 2006, the Rhode Island Medicaid Reform Act of 2008 including various subsequent state budget initiatives to address long term care costs and utilization, the Rhode Island Global Consumer Choice Compact ("Global Waiver") entered into between the state of Rhode Island and the Federal government in 2009, as well as work initiated by the Health Care Planning and Accountability Advisory Council whose stated vision it is to ensure every Rhode Islander has access to high quality, affordable healthcare, delivered at the most appropriate time and place.

All of these initiatives share common goals and objectives including among other things the transformation of a costly and unsustainable system of care to the creation of one that is affordable, sustainable, one that delivers high quality care and one that promotes the availability of and access to community based services as an alternative to costly and sometimes inappropriate institutional care i.e., nursing home placements, hospitals, emergency rooms, etc.

RMS has a long standing history delivering quality services in support of similar initiatives related to Rhode Islanders with developmental disabilities and has successfully collaborated with various stakeholders to assist individuals in their transition to community based settings. We are confident that in collaboration with the Department of Health and other related entities that Ocean State Home Care can provide similarly successful results.

7.) On a separate sheet of paper, please discuss the proposal and present the demonstration of the public need for this proposal. Description of the public need must include at least the following elements:

Refer to Attachment #1

A. Please identify the documented availability and accessibility problems, if any, of all existing facilities, equipments and services available in the state similar to the one proposed herein:

Name of Facility/Service Provider	List similar type of Service/Equipment	Documented Availability Problems (Y/N)	Documented Accessibility Problems (Y/N)	Distance from Applicant (in miles)
Assisted Daily Living	Home Nursing Care	N	N	1.7
Bayada Nurses	" " "	N	N	2.3
Capital Home Care Network	" " "	N	N	6.1
Cathleen Naughton	" " "	N	N	8.7
Concord Home Health Services	" " "	N	N	5.4
Consistent Care	" " "	N	N	26.5
H&T Medicals	" " "	N	N	5.0
Home Care Advantage	" " "	N	N	6.5
Homefront Health Care	" " "	N	N	11.2
Independence Health Services	" " "	N	N	9.7
Interim Healthcare of RI	" " "	N	N	10.8
Life Care at Home of RI	" " "	N	N	3.5
Memorial Hospital Home Care	" " "	N	N	14.7
Roger Williams Home Care	" " "	N	N	10.8
Saranna Home Care	" " "	N	N	13.4
St. Jude Home Care	" " "	N	N	18.5
Tender Loving Care	" " "	N	N	8.6
Vital Care of RI	" " "	N	N	13.8
VNA of Care New England	" " "	N	N	3.1
VNA of Newport & Bristol Counties	" " "	N	N	30.1
VNA Support Services	" " "	N	N	1.6
VNS Home Health Services	" " "	N	N	24.1
VNS of Greater Woonsocket	" " "	N	N	17.9

- B. Please discuss the extent to which the proposed service or equipment, if implemented, will not result in any unnecessary duplication of similar existing services or equipment, including those identified in (A) above.

Refer to Attachment #1

- C. Please identify the cities and towns that comprise the primary and secondary service area of the facility. Identify the size of the population to be served by this proposal and (if applicable) the projected changes in the size of this population.

Refer to Attachment #1

- D. Please identify the health needs of the population in (C) relative to this proposal.

Refer to Attachment #1

- E. Please identify utilization data for the past three years (if existing service) and as projected through the next three years, after implementation, for each separate area of service affected by this proposal. Please identify the units of service used.

None. This proposal is for new service.

Actual (last 3 years)	FY ____	FY ____	FY ____
Hours of Operation	N/A		
Utilization (#)	New		
Throughput Possible (#)	Operation		
Utilization Rate (%)			

Projected	FY 2012	FY 2013	FY 2014
Hours of Operation	As Needed	As Needed	As Needed
Utilization	1,968	9,102	18,463
Throughput Possible	1,968	9,102	18,463
Utilization Rate (%)	100%	100%	100%

- F. Please identify what portion of the need for the services proposed in this project is not currently being satisfied, and what portion of that unmet need would be satisfied by approval and implementation of this proposal.

Refer to Attachment #1

- G. Please identify and evaluate alternative proposals to satisfy the unmet need identified in (F) above, including developing a collaborative approach with existing providers of similar services.

Refer to Attachment #1

- H. Please provide a justification for the instant proposal and the scope thereof as opposed to the alternative proposals identified in (G) above.

Refer to Attachment #1

#### HEALTH DISPARITIES AND CHARITY CARE

- 8.) The RI Department of Health defines health disparities as inequalities in health status, disease incidence, disease prevalence, morbidity, or mortality rates between populations as impacted by



access to services, quality of services, and environmental triggers. Disparately affected populations may be described by race & ethnicity, age, disability status, level of education, gender, geographic location, income, or sexual orientation.

N/A This proposal is to establish a privately owned Home Nursing Care agency.

- A. Please describe all health disparities in the applicant's service area. Provide all appropriate documentation to substantiate your response including any assessments and data that describe the health disparities.
- B. Discuss the impact of the proposal on reducing and/or eliminating health disparities in the applicant's service area.

9.) Please provide a copy of the applicant's charity care policies and procedures and charity care application form.

Refer to Attachment #2

#### FINANCIAL ANALYSIS

10.) A) Please itemize the capital costs of this proposal. Present all amounts in thousands (e.g., \$112,527=\$113). If the proposal is going to be implemented in phases, identify capital costs by each phase.

CAPITAL EXPENDITURES		
	Amount	Percent of Total
Survey/Studies	\$	%
Fees/Permits	\$	%
Architect	\$	%
"Soft" Construction Costs	\$	%
Site Preparation	\$	%
Demolition	\$	%
Renovation	\$	%
New Construction	\$	%
Contingency	\$	%
"Hard" Construction Costs	\$	%
Furnishings	\$2.5	10%
Movable Equipment	\$2.5	10%
Fixed Equipment	\$	%
"Equipment" Costs	\$5	%
Capitalized Interest	\$	%

Bond Costs/Insurance	\$	%
Debt Services Reserve <sup>1</sup>	\$	%
Accounting/Legal	\$	%
Financing Fees	\$	%
<b>"Financing" Costs</b>	\$	%
Land	\$	%
Other (specify: Office Rent)	\$20	80%
<b>"Other" Costs</b>	\$	%
<b>TOTAL CAPITAL COSTS</b>	<b>\$25</b>	<b>100%</b>

<sup>1</sup> Should not exceed the first full year's annual debt payment.

B.) Please provide a detailed description of how the contingency cost in (A) above was determined.

N/A

C.) Given the above projection of the total capital expenditure of the proposal, please provide an analysis of this proposed cost. This analysis must address the following considerations:

- i. The financial plan for acquiring the necessary funds for all capital and operating expenses and income associated with the full implementation of this proposal, for the period of 6 months prior to, during and for three (3) years after this proposal is fully implemented, assuming approval.

\$5K Equity cont'n; \$20.4K Lease funds; Balance of need borrowed from affiliated companies, as needed, for operations.

- ii. The relationship of the cost of this proposal to the total value of your facility's physical plant, equipment and health care services for capital and operating costs.

This proposal is 100% of services since this is new operation/services.

- iii. A forecast for inflation of the estimated total capital cost of the proposal for the time period between initial submission of the application and full implementation of the proposal, assuming approval, including an assessment of how such inflation would impact the implementation of this proposal.

N/A

11.) Please indicate the financing mix for the capital cost of this proposal. **NOTE:** the Health Services Council's policy requires a minimum 20% equity investment in CON projects (33% equity minimum for equipment-related proposals).

Source	Amount	Percent	Interest	Terms	List source(s) of funds
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			Rate	(Yrs.)	(and amount if multiple sources)
Equity*	\$5,000	20%			Owner
Debt**	\$ N/A	%	%		No Debt – N/A
Lease**	\$20,400	%	N/A%	1^^	Operations
<b>TOTAL</b>	<b>\$25,400</b>	<b>100%</b>			

\* Equity means non-debt funds contributed towards the capital cost of an acquisition or project which are free and clear of any repayment obligation or liens against assets, and that result in a like reduction in the portion of the capital cost that is required to be financed or mortgaged (R23-15-CON).

\*\* If debt and/or lease financing is indicated, please complete Appendix F.

12.) Will a fundraising drive be conducted to help finance this approval? Yes \_\_\_ No X

13.) Has a feasibility study been conducted of fundraising potential? Yes \_\_\_ No X

- If the response to Question 13 is 'Yes', please provide a copy of the feasibility study.

14.) Will the applicant apply for state and/or federal capital funding? Yes \_\_\_ No X

- If the response to Question 14 is 'Yes', please provide the source: \_\_\_\_\_, amount: \_\_\_\_\_, and the expected date of receipt of those monies: \_\_\_\_\_.

^^ Represents common office space lease. Term of one year with renewal options.

15.) Please calculate the yearly amount of depreciation and amortization to be expensed.

Depreciation/Amortization Schedule - Straight Line Method					
	Improvements	Equipment		Amortization	Total
		Fixed	Movable		
Total Cost	\$	\$	\$5,000	\$	\$5,000
(-) Salvage Value	\$	\$	\$	\$	\$
(=) Amount Expensed	\$	\$	\$	\$	\$
(/) Average Life (Yrs.)			4 yrs		
<b>(=) Annual Depreciation</b>	<b>\$</b>	<b>\$</b>	<b>\$1,332</b>	<b>\$</b>	<b>\$1,332</b>

\*1\* Must equal the total capital cost (Question 10 above) less the cost of land and less the cost of any assets to be acquired through lease financing

\*2\* Must equal the incremental "depreciation/amortization" expense, column -5-, in Question 18 (below).

16.) For the first full operating year of the proposal (identified in Question 18 below), please identify the total number of FTEs (full time equivalents) and the associated payroll expense (including fringe benefits) required to staff this proposal. Please follow all instructions and present the payroll in thousands (e.g., \$42,575=\$43).

Personnel	Existing		Additions/(Reductions)		New Totals	
	# of FTEs	Payroll W/Fringes	# of FTEs	Payroll W/Fringes	# of FTEs	Payroll W/Fringes
Medical Director		\$		\$		\$
Physicians		\$		\$		\$
Administrator	1	\$52		\$89	1	\$141
RNs		\$		\$		\$
LPNs		\$		\$		\$
Nursing Aides	6.1	\$40	12.3	\$263	18.4	\$302
PTs		\$		\$		\$
OTs		\$		\$		\$
Speech Therapists		\$		\$		\$
Clerical		\$	.25	\$	.25	\$
Housekeeping		\$		\$		\$
Other: (specify)		\$		\$		\$
<b>TOTAL</b>	<b>7.1</b>	<b>\$92</b>	<b>12.55</b>	<b>\$360</b>	<b>19.65</b>	<b>\$452</b>

\*1\* Must equal the incremental "payroll w/fringes" expense in column -5-, Question 18 (below).

#### INSTRUCTIONS:

- "FTEs" Full time equivalents, are the equivalent of one employee working full time (i.e., 2,080 hours per year)
- "Additions" are NEW hires;
- "Reductions" are staffing economies achieved through attrition, layoffs, etc. It does **NOT** report the reallocation of personnel to other departments.

17.) Please describe the plan for the recruitment and training of personnel.

RMS is fully committed to hiring and developing a diverse, caring, compassionate and competent workforce to serve our customers. To that end, the company uses a variety of sources to actively recruit and train new employees including but not limited to the following:

- Internal search for persons who are ready to advance within the company
- Outside referrals from our present employees
- Advertising in newspapers and trade publications
- Advertising on-line with a variety of employment websites
- Utilizing RMS websites [www.NewEnglandRMS.com](http://www.NewEnglandRMS.com) and [www.TeamRMS.com](http://www.TeamRMS.com)
- Local employment agencies

- Local colleges and universities
- Company sponsored internships
- Community based job fairs
- Local state Departments of Labor

Refer to Attachment #9 for a copy of the training policy.

18.) Please complete the following pro-forma income statement for each unit of service. Present all dollar amounts in thousands (e.g., \$112,527=\$113). Be certain that the information is accurate and supported by other tables in this worksheet (i.e., "depreciation" from Question 15 above, "payroll" from Question 16 above). If this proposal involved more than two separate "units of service" (e.g., pt. days, CT scans, outpatient visits, etc.), insert additional units as required.

<b>PRO-FORMA P &amp; L STATEMENT FOR WHOLE FACILITY</b>					
	<b>Actual Previous Year 20__ (1)</b>	<b>Budgeted Current Year 2012 (2)</b>	<b>&lt;-- FIRST FULL OPERATING YEAR 2013 --&gt;</b>		
			<b>CON Denied (3)</b>	<b>CON Approved (4)</b>	<b>Incremental Difference *1* (5)</b>
<b>REVENUES:</b>					
Net Patient Revenue	\$	\$88	\$	\$416	\$416
Other:	\$	\$	\$	\$	\$
<b>Total Revenue</b>	\$	\$88	\$	\$416	\$416
<b>EXPENSES:</b>	\$	\$	\$	\$	\$
Payroll w/Fringes	\$	\$92	\$	\$360	\$360
Bad Debt	\$	\$	\$	\$	\$
Supplies	\$	\$0.4	\$	\$1	\$1
Office Expenses	\$	\$24	\$	\$40	\$40
Utilities	\$	\$3	\$	\$4	\$4
Insurance	\$	\$2	\$	\$2	\$2
Interest	\$	\$0.1	\$	\$0.2	\$0.2
Depreciation/Amortization	\$	\$1	\$	\$1	\$1
Leasehold Expenses	\$	\$	\$	\$	\$
Other: (specify _____)	\$	\$11	\$	\$37	\$37
<b>Total Expenses</b>	\$	\$134	\$	\$445	\$445
<b>OPERATING PROFIT:</b>	\$	(\$46)	\$	(\$29)	(\$29)

For each service to be affected by this proposal, please identify each service and provide: the utilization, average net revenue per unit of services and the average expense per unit of service.

Service Type:	Home Nursing Care				
Service (#s):		1,968		9,102	9,102
Net Revenue Per Unit *8*	\$	\$44.58	\$	\$45.72	\$45.72
Expense Per Unit	\$	\$67.63	\$	\$48.92	\$48.92
Service Type:					
Service (#s):					
Net Revenue Per Unit *8*	\$	\$	\$	\$	\$
Expense Per Unit	\$	\$	\$	\$	\$

INSTRUCTIONS: Present all dollar amounts (except unit revenue and expense) in thousands.

- \*1\* The Incremental Difference (column -5-) represents the actual revenue and expenses associated with this CON. It does not include any already incurred allocated or overhead expenses. It is column -4- less column -3-.
- \*2\* Net Patient Revenue (column -5-) equals the different units of service times their respective unit reimbursement.
- \*3\* Payroll with fringe benefits (column -5-) equals that identified in Question 16 above.
- \*4\* Bad Debt is the same as that identified in column -4-.
- \*5\* Interest Expense equals the first full year's interest paid on debt.
- \*6\* Depreciation equals a full year's depreciation (Question 15 above), not the half year booked in the year of purchase.
- \*7\* Total Expense (column -5-) equals the operating expense of this proposal and is defined as the sum of the different units of service;
- \*8\* Net Revenue per unit (of service) is the actual average net reimbursement received from providing each unit of service; it is NOT the charge for that service.

19.) Please provide an analysis and description of the impact of the proposed new institutional health service or new health equipment, if approved, on the charges and anticipated reimbursements in any and all affected areas of the facility. Include in this analysis consideration of such impacts on individual units of service and on an aggregate basis by individual class of payer. Such description should include, at a minimum, the projected charge and reimbursement information requested above for the first full year after implementation, by payor source, and shall present alternate projections assuming (a) the proposal is not approved, and (b) the proposal is approved. If no additional (incremental) utilization is projected, please indicate this and complete this table reflecting the total utilization of the facility in the first full fiscal year.

N/A

Projected First Full Operating Year: FY 20						N/A			
Payor Mix	Implemented			Not Implemented			Difference		
	Projected Utilization		Total Revenue	Projected Utilization		Total Revenue	Projected Utilization		Total Revenue
	#	%	\$	#	%	\$	#	%	\$
Medicare									
RI Medicaid									

Non-RI									
Medicaid									
RIteCare									
Blue Cross									
Commercial									
HMO's									
Self Pay									
Charity Care			\$0			\$0			\$0
Other: _____									
TOTAL									

20.) Please provide the following:

- A. Please provide audited financial statements for the most recent year available.

Refer to Attachment #3

- B. Please discuss the impact of approval or denial of the proposal on the future viability of the (1) applicant and (2) providers of health services to a significant proportion of the population served or proposed to be served by the applicant.

No impact on either.

21.) Please identify the derivable operating efficiencies, if any, (i.e., economies of scale or substitution of capital for personnel) which may result in lower total or unit costs as a result of this proposal.

No substantial impact.

22.) Please describe on a separate sheet of paper all energy considerations incorporated in this proposal.

This proposal does not include the establishment, construction or development of a physical plant therefore there are no energy considerations.

23.) Please comment on the affordability of the proposal, specifically addressing the relative ability of the people of the state to pay for or incur the cost of the proposal, at the time, place and under the circumstances proposed. Additionally, please include in your discussion the consideration of the state's economy.

The cost of this proposal and the establishment of the new agency are being fully absorbed by the owner of the company. There is no cost to the state or the taxpayers for this proposal.

#### **QUALITY, CONTINUITY OF CARE, AND RELATIONSHIP TO THE HEALTH CARE SYSTEM**

24.) A) If the applicant is an existing facility:

Please identify and describe any outstanding cited health care facility licensure or certification deficiencies, citations or accreditation problems as may have been cited by appropriate authority. Please describe when and in what manner this licensure deficiency, citation or accreditation problem will be corrected.

None

**B) If the applicant is a proposed new health care facility:**

Please describe the quality assurance programs and/or activities which will relate to this proposal including both inter and intra-facility programs and/or activities and patient health outcomes analysis whether mandated by state or federal government or voluntarily assumed. In the absence of such programs and/or activities, please provide a full explanation of the reasons for such absence.

Refer to Attachment #10 for a copy of the quality assurance policy.

**C) If this proposal involves construction or renovation:**

Please describe your facility's plan for any temporary move of a facility or service necessitated by the proposed construction or renovation. Please describe your plans for ensuring, to the extent possible, continuation of services while the construction and renovation take place. Please include in this description your facility's plan for ensuring that patients will be protected from the noise, dust, etc. of construction.

N/A This proposal does not involve construction or renovation.

25.) Please discuss the impact of the proposal on the community to be served and the people of the neighborhoods close to the health care facility who are impacted by the proposal.

This proposal does not include the establishment, construction or development of a physical plant therefore there is no impact on the community.

26.) Please discuss the impact of the proposal on service linkages with other health care facilities/providers and on achieving continuity of patient care.

Ocean State Home Care will work collaboratively with all stakeholders, public and private, to achieve continuity of care.

27.) Please address the following:

- A. How the applicant will ensure full and open communication with their patients' primary care providers for the purposes of coordination of care;



Wayne T. Stone, M.E.d., RN, RRT, Director of Nursing Services shall administer Ocean State Home Care. Mr. Stone and/or his designee(s) and or his direct reports shall ensure full and open communication with all stakeholders, including primary care providers for the purposes of coordination of care.

- B. Discuss the extent to which preventive services delivered in a primary care setting could prevent overuse of the proposed facility, medical equipment, or service and identify all such preventative services;

N/A

- C. Describe how the applicant will make investments, parallel to the proposal, to expand supportive primary care in the applicant's service area.

N/A

- D. Describe how the applicant will use capitalization, collaboration and partnerships with community health centers and private primary care practices to reduce inappropriate Emergency Room use.

Ocean State Home Care, under the direction of Mr. Stone will work collaboratively with all stakeholders in the community and directly with the clients to ensure services are provided appropriately at the right time and place based on each individual circumstance. All clients will be encouraged to only use emergency room services under emergency circumstances.

- E. Identify unmet primary care needs in your service area, including "health professionals shortages", if any (information available at Office of Primary Care and Rural Health at <http://www.health.ri.gov/disease/primarycare/hpsa-professionals.php>).

N/A

- 28.) Please discuss the relationship of the services proposed to be provided to the existing health care system of the state.

The proposed services will augment the existing network of Home Nursing Care providers in Rhode Island and will contribute to increased access to services and increased choices. The proposal will contribute to a competitive environment among the network of agencies ultimately leading to increased service quality and decreased costs across the entire system.

Select and complete the Appendixes applicable to this application:

Appendix	Check off:	Required for:
A		Accelerated review applications
B		Applications involving provision of services to inpatients
C		Nursing Home applications
<b>D</b>	<b>X</b>	<b>All applications</b>
E		Applications with healthcare equipment costs in excess of \$1,000,000 and any tertiary/specialty care equipment
F	<b>X</b>	Applications with debt or lease financing
<b>G</b>	<b>X</b>	<b>All applications</b>

## Appendix D

All applications must be accompanied by responses to the questions posed herein.

1. Provide a description and schematic drawing of the contemplated construction or renovation or new use of an existing structure and complete the Change in Space Form.

N/A This proposal does not include construction or the use of a structure to provide services. All services will be provided in the client's home.

2. Please provide a letter stating that a preliminary review by a Licensed architect indicates that the proposal is in full compliance with the current edition of the "Guidelines for Design and Construction of Hospital and Health Care Facilities" and identify the sections of the guidelines used for review. Please include the name of the consulting architect, and their RI Registration (license) number and RI Certification of Authorization number.

N/A

3. Provide assurance and/or evidence of compliance with all applicable federal, state and municipal fire, safety, use, occupancy, or other health facility licensure requirements.

N/A

4. Does the construction, renovation or use of space described herein corrects any fire and life safety, Joint Commission on Accreditation of Healthcare Organizations (JCAHO), U.S. Department of Health and Human Services (DHHS) or other code compliance problems: Yes\_\_\_\_\_ No\_\_\_\_\_

N/A

- If Yes, include specific reference to the code(s). For each code deficiency, provide a complete description of the deficiency and the corrective action being proposed, including considerations of alternatives such as seeking waivers, variances or equivalencies.

5. Describe all the alternatives to construction or renovation which were considered in planning this proposal and explain why these alternatives were rejected.

N/A

6. Attach evidence of site control, a fee simple, or such other estate or interest in the site including necessary easements and rights of way sufficient to assure use and possession for the purpose of the construction of the project.

N/A

7. If zoning approval is required, attach evidence of application for zoning approval.

N/A

8. If this proposal involves new construction or expansion of patient occupancy, attach evidence from the appropriate state and/or municipal authority of an approved plan for water supply and sewage disposal.

N/A

9. Provide an estimated date of contract award for this construction project, assuming approval within a 120-day cycle.

N/A

10. Assuming this proposal is approved, provide an estimated date (month/year) that the service will be actually offered or a change in service will be implemented. If this service will be phased in, describe what will be done in each phase.

April, 2012

## Appendix F

### Financing

Applicants contemplating the incurrence of a financial obligation for full or partial funding of a certificate of need proposal must complete and submit this appendix.

1. Describe the proposed debt by completing the following:

- |  |   |
|--|---|
| a.) type of debt contemplated:   | Operating Line of Credit/Inter Co Borrowing |
| b.) term (months or years):  | On Demand                                   |
| c.) principal amount borrowed  | Draws As Needed                             |
| d.) probable interest rate   | AFR   |
| e.) points, discounts, origination fees  | None  |
| f.) likely security  | None  |
| g.) disposition of property ( if a lease is revoked)   | N/A   |
| h.) prepayment penalties or call features  | None  |
| i.) front-end costs (e.g. underwriting spread, feasibility study, legal and printing expense, points etc.) | None  |
| j.) debt service reserve fund  | None  |

2. Compare this method of financing with at least two alternative methods including tax-exempt bond or notes. The comparison should be framed in terms of availability, interest rate, term, equity participation, front-end costs, security, prepayment provision and other relevant considerations.

N/A - For start-up operation with no real estate construction, alternative financing (such as tax-exempt bonds, etc.) is not practical.

3. If this proposal involves refinancing of existing debt, please indicate the original principal, the current balance, the interest rate, the years remaining on the debt and a justification for the refinancing contemplated.

N/A

4. Present evidence justifying the refinancing in Question 3. Such evidence should show quantitatively that the net present cost of refinancing is less than that of the existing debt, or it should show that this project cannot be financed without refinancing existing debt.

N/A

5. If lease financing for this proposal is contemplated, please compare the advantages and disadvantages of a lease versus the option of purchase. Please make the comparison using the following criteria: term of lease, annual lease payments, salvage value of equipment at lease termination, purchase options, value of insurance and purchase options contained in the lease, discounted cash flows under both lease and purchase arrangements, and the discount rate.

The only lease financing in this proposal is for common office space lease for the administrative office. The expected term of the office lease is for 1 year with renewal options present in the lease. Given that this proposal is for new operation, the purchase of a building for the office would not be prudent at the opening of the agency.

6. Present a debt service schedule for the chosen method of financing, which clearly indicates the total amount borrowed and the total amount repaid per year. Of the amount repaid per year, the total dollars applied to principal and total dollars applied to interest must be shown.

N/A

7. Please include herewith an annual analysis of your facility's cash flow for the period between approval of the application and the third year after full implementation of the project.

Refer to Attachment #4

## Appendix G

### Ownership Information

All applications must be accompanied by responses to the questions posed herein.

1. List all officers, members of the board of directors, trustees, stockholders, partners and other individuals who have an equity or otherwise controlling interest in the applicant. For each individual, provide their home and business address, principal occupation, position with respect to the applicant, and amount, if any, of the percentage of stock, share of partnership, or other equity interest that they hold.

Refer to Attachment #5

2. For each individual listed in response to Question 1 above, list all (if any) other health care facilities or entities within or outside Rhode Island in which he or she is an officer, director, trustee, shareholder, partner, or in which he or she owns any equity or otherwise controlling interest. For each individual, please identify: A) the relationship to the facility and amount of interest held, B) the type of facility license held (e.g. nursing facility, etc.), C) the address of the facility, D) the state license #, E) Medicare provider #, and F) any professional accreditation (e.g. JACHO, CHAP, etc.).

Refer to Attachment #5

3. If any individual listed in response to Question 1 above, has any business relationship with the applicant, including but not limited to: supply company, mortgage company, or other lending institution, insurance or professional services, please identify each such individual and the nature of each relationship.

N/A

4. Have any individuals listed in response to Question 1 above been convicted of any state or federal criminal violation within the past 20 years? Yes \_\_\_ No X.

- If response is 'Yes', please identify each person involved, the date and nature of each offense and the legal outcome of each incident.

5. Please provide organization chart for the applicant, identifying all "parent" entities with direct or indirect ownership in or control of the applicant, all "sister" legal entities also owned or controlled by the parent(s), and all subsidiary entities owned by the applicant. Please provide a brief narrative clearly explaining the relationship of these entities, the percent ownership the principals have in each (if applicable), and the role of each and every legal entity that will have control over the applicant.

Refer to Attachment #6

6. Please list all licensed healthcare facilities (in Rhode Island or elsewhere) owned, operated or controlled by any of the entities identified in response to Question 5 above (applicant and/or its principals). For each facility, please identify: A) the entity, applicant or principal involved, B) the type of facility license held (e.g. nursing facility, etc.), C) the address of the facility, D) the state license #, E) Medicare provider #, and F) any professional accreditation (e.g. JACHO, CHAP, etc.).

None

7. Have any of the facilities identified in Question 5 or 6 above had: A) federal conditions of participation out of compliance, B) decertification actions, or C) any actions towards revocation of any state license? Yes \_\_\_ No X

- If response is 'Yes', please identify the facility involved, the nature of each incident, and the resolution of each incident.

8. Have any of the facilities owned, operated or managed by the applicant and/or any of the entities identified in Question 5 or 6 above during the last 5-years had bankruptcies and/or were placed in receiverships? Yes \_\_\_ No X

- If response is 'Yes', please identify the facility and its current status.

9. For applications involving establishment of a new entity or involving out of state entities, please provide the following documents:

- Certificate and Articles of Incorporation and By-Laws (for corporations)

Refer to Attachments #7 and #8

- Certificate of Partnership and Partnership Agreement (for partnerships)

N/A

- Certificate of Organization and Operating Agreement (for limited liability corporations)

N/A



Re: Question # 7

The population in Rhode Island and across the nation is aging, and placing increasing pressure and demands on our continuum of health care, especially on long term care and supports.

According to census bureau statistics, there are more than 325,000 Rhode Islander residents age 50 or older including more than 117,000 of whom are 70 years of age and older. This equates to nearly 12% of the state's total population and ranks Rhode Island the 6<sup>th</sup> "oldest" state in the nation.

It is vital therefore, that public and private stakeholders, as well as the state's residents, continue to work collaboratively to continue evolving Rhode Island's system of long term care and service options.

From basic assistance with daily living activities, to assistance with recovery from various medical conditions or procedures, to end of life issues and more, one thing is clear: people generally wish to receive as much of their care and support as possible, in their own homes. According to some surveys, as many as 90% of respondents indicate a desire receive support this way.

To that end, the federal and state governments across the nation have launched countless initiatives including the Affordable Care Act of 2009 on the federal level, to Rhode Island's Real Choice Systems Transformation project which began in 2006, to Rhode Island's Global Consumer Choice Compact of 2009, to shift money, much of it medicaid dollars, away from the traditional and in many way expensive institutional system of care, to a home and community based system that is not only more desirable by most people, but also generally less expensive and more sustainable in terms of pressure on federal and state budgets.

A key element in this system transformation is to ensure potential service recipients have access to the care and a wide range of choices under the new system, in this case home nursing care.

To that end, it becomes critical that Rhode Island continue to develop and foster a robust network of service providers to meet the consumer need, provide various choices, and in the process engage in a competitive environment which will ultimately result in increased quality of care while at the same time will tend to control, and in many instances reduce costs.

Stakeholders in Rhode Island are making progress on all fronts. According to conclusions recently drawn by the Lewin Group, a national healthcare consulting firm, after it conducted an evaluation of the impact of Rhode Island's Global Waiver, individuals are increasingly receiving health care and long term supports in their homes and communities, and millions of dollars have already been saved three years into the five year compact.

SUBJECT: UNCOMPENSATED CARE	REFERENCE #9501
DIVISION: OCEAN STATE HOME CARE	PAGE: 1
	OF: 1
APPROVED BY: PENDING / DRAFT	EFFECTIVE: TBD
	REVISED: N/A

**PURPOSE:**

- To provide a financial assistance program to defray the cost of medically necessary services for those individuals who meet eligibility guidelines set forth in this policy.

**POLICY:**

- It is the policy of Ocean State Home Care to promote health, well being, and independence in the communities of the people we serve.
- Ocean State Home Care is committed to providing home nursing services to individuals who are uninsured, underinsured, ineligible for government programs, or otherwise unable to pay for services.

**PROCEDURE:**

- Applications for financial assistance will be accepted at any time.
- Applications will be provided by Ocean State Home Care.
- All applications will be evaluated according to state and federal requirements and guidelines for the provision of uncompensated care including the Rhode Island Department of Health Rules and Regulations for Licensing Home Nursing Care Providers.
- An approval determination shall be made as soon as possible after a completed application and all supporting documentation has been received and reviewed.
- Applicants will be notified in writing after an eligibility determination is rendered whether it has been approved or denied.

DRAFT

## Financial Assistance Application

Today's Date: \_\_\_\_\_

Please answer all questions completely and to the best of your knowledge in order to prevent any delay processing this application. Copies of income, countable resources and expenses MUST be attached or the application will be rejected as incomplete.

Name: \_\_\_\_\_

Phone #: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Account #	Amount
Total Financial Assistance Request	

List all persons living in household.

[illegible]

Patient's current employer: \_\_\_\_\_  
 Employer Address : \_\_\_\_\_  
 Phone: \_\_\_\_\_ Length of employment: \_\_\_\_\_  
 Spouse's current employer: \_\_\_\_\_  
 Employer Address : \_\_\_\_\_  
 Phone: \_\_\_\_\_ Length of employment: \_\_\_\_\_

If unemployed, list past employment:

	Patient's	Spouse's
Employer:	_____	_____
Address:	_____	_____
	_____	_____
Phone:	_____	_____
Date last employed:	_____	_____

## Section 2 - Monthly Household Income & Expenses

Household Monthly Income SUPPLY COPIES OF SUPPORTING DOCUMENTS			
Wages:	\$	Food Stamps:	\$
Tips:	\$	Retirement:	\$
Alimony/Child Support:	\$	Unemployment:	\$
Social Security:	\$	General Relief	\$
Pensions:	\$	Strike Benefits	\$
Military Family Allotments:	\$	Income from Dividends:	\$
Income from Interest:	\$	Income from Rent:	\$
Income Other: (explain)	\$		
Total Income:	\$		

Household Monthly Expenses SUPPLY COPIES OF SUPPORTING DOCUMENTS	
Description	Monthly Amount
House Rental / Payment	
Food	
Car Payment	
Car Operating Expenses	
Phone	
Electric	
Gas	
Water	
Sewer	
Other Medical	
Other (Specify)	
Total Expenses	

## Section 3 - Assets & Liabilities

Assets (Value)		Liabilities (Balance Owed)	
House / Land Value	\$	Automobile Loan	\$
Name and Address of Bank	\$	Vehicle #1	\$
		Vehicle #2	
		House/Real Estate Loan	
Savings Account Amount	\$	Personal Property Loans	\$
Checking Account Amount	\$	Life Ins. Loans	\$

Stocks/Bonds/CDs/IRAs	\$	Credit Card Balances	\$
Guns/Jewelry over \$500.00	\$	Medical Liability	\$
Retirement Funds/Pensions	\$	Taxes Due on Real Estate	\$
Cash Value of Life Insurance	\$	Other Installment Loans	\$
Other Assets (Specify)	\$	Other Liabilities (Specify)	\$
Other Assets (Specify)	\$	Other Liabilities (Specify)	\$
Other Assets (Specify)	\$	Other Liabilities (Specify)	\$
Total Assets	\$	Total Liabilities	\$

\_\_\_\_\_  
Applicant's Signature

\_\_\_\_\_  
Date

**Financial Statements**  
With Supplementary Information

# **New England RMS, Inc.**

December 31, 2010 and 2009

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Partners

To the Board of Directors and Stockholder  
New England RMS, Inc.  
Worthington, Ohio

### **Independent Auditors' Report**

We have audited the accompanying balance sheets of New England RMS, Inc. as of December 31, 2010 and 2009, and the related statements of income and deficit in earnings and cash flows for the years then ended. These financial statements are the responsibility of New England RMS, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New England RMS, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with the *Audit Specifications for Agencies* issued by the Department of Mental Health, Retardation and Hospitals, Division of Developmental Disabilities, of the State of Rhode Island (the Division), we also issued a report dated April 4, 2011, on our tests of the Company's compliance with certain provisions of the Division's *Reporting and Funding Guidelines* as of and for the year ended December 31, 2010. That report is an integral part of the procedures performed in accordance with the *Audit Specifications for Agencies* and should be read in conjunction with this report in considering the results of our audit.

The accompanying supplementary information is presented for purposes of additional analysis as required by the Division and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements.

*GBO Partners LLC*

Columbus, Ohio  
April 4, 2011

NEW ENGLAND RMS, INC.

**Balance Sheets**

December 31, 2010 and 2009

**ASSETS**

	<u>2010</u>	<u>2009</u>
<b>Current Assets</b>		
Cash	\$ 7,264	\$ 6,455
Accounts receivable, net	95,171	117,410
Prepaid expenses and other assets	15,374	12,364
Total current assets	<u>117,809</u>	<u>136,229</u>
<b>Property and Equipment</b>		
Office furniture, fixtures and equipment	39,380	32,673
Vehicles	55,571	36,921
	<u>94,951</u>	<u>69,594</u>
Less: accumulated depreciation	( 64,572)	( 52,588)
Net property and equipment	<u>30,379</u>	<u>17,006</u>
<b>TOTAL ASSETS</b>	<u>\$ 148,188</u>	<u>\$ 153,235</u>

**LIABILITIES AND STOCKHOLDER'S DEFICIT**

<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 24,965	\$ 24,258
Accrued payroll and related liabilities	62,172	56,815
Due to related parties	21,677	47,446
Notes payable to related parties	137,254	190,652
Total current liabilities	<u>246,068</u>	<u>319,171</u>
<b>Note Payable - Long-Term</b>	<u>10,093</u>	-
Total liabilities	<u>256,161</u>	<u>319,171</u>
<b>Stockholder's Deficit</b>		
Common stock, no par value, 750 shares, authorized, issued and outstanding	750	750
Additional paid-in capital	415,000	415,000
Deficit in earnings	( 523,723)	( 581,686)
Total stockholder's deficit	<u>( 107,973)</u>	<u>( 165,936)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT</b>	<u>\$ 148,188</u>	<u>\$ 153,235</u>

*The accompanying notes are an integral part of the financial statements.*

NEW ENGLAND RMS, INC.

**Statements of Income and Deficit in Earnings**

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Net Service Revenue</b>	<b>\$ 1,242,732</b>	<b>\$ 1,506,721</b>
<b>Expenses:</b>		
Salaries and wages	566,966	693,638
General and administrative	411,814	531,743
Payroll taxes and benefits	205,989	211,034
Total expenses	<u>1,184,769</u>	<u>1,436,415</u>
<b>Net Income</b>	<b>57,963</b>	<b>70,306</b>
<b>Deficit in Earnings - Beginning of Year</b>	<b>( 581,686)</b>	<b>( 651,992)</b>
<b>Deficit in Earnings - End of Year</b>	<b><u>\$( 523,723)</u></b>	<b><u>\$( 581,686)</u></b>

*The accompanying notes are an integral part of the financial statements.*

NEW ENGLAND RMS, INC.

**Statements of Cash Flows**

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ <u>57,963</u>	\$ 70,306
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	13,346	10,386
Changes in assets and liabilities:		
Accounts receivable	22,239	19,238
Prepaid expenses and other assets	( 3,010)	4,817
Accounts payable and accrued liabilities	( 2,038)	( 8,053)
Accrued payroll and related liabilities	5,357	( 20,771)
Due to related parties	( 25,769)	16,067
Total adjustments	<u>10,125</u>	<u>21,684</u>
Net cash provided by operating activities	<u>68,088</u>	<u>91,990</u>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	( 26,719)	( 3,535)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from note payable	14,295	-
Payments on note payable	( 1,457)	-
Payments on notes payable to related parties, net	( 53,398)	( 89,310)
Net cash used in financing activities	<u>( 40,560)</u>	<u>( 89,310)</u>
Net increase (decrease) in cash	809	( 855)
<b>Cash - Beginning of Year</b>	<u>6,455</u>	<u>7,310</u>
<b>Cash - End of Year</b>	<u>\$ 7,264</u>	<u>\$ 6,455</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	\$ 1,586	\$ 2,896

*The accompanying notes are an integral part of the financial statements.*

NEW ENGLAND RMS, INC.

**Notes to Financial Statements**

December 31, 2010 and 2009

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**Nature and Scope of Business**

New England RMS, Inc. provides supported living services for developmentally disabled individuals in Rhode Island.

**Summary of Significant Accounting Policies**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Accordingly, actual results could differ from those estimates.

Cash

For the purpose of reporting cash flows, cash includes cash on hand and demand deposits held by a bank.

Accounts Receivable and Net Service Revenue

Accounts receivable and revenue for the Company are recorded in the month that services are provided. The Company provides services to consumers under Medicaid program contractual agreements with the Rhode Island Division of Developmental Disabilities (RIDDD). Accounts receivable from government agencies that are 30 days or more past due are considered delinquent, but are not charged interest by law. The Company does not charge interest on any accounts past due.

Potentially uncollectible accounts are provided for on the allowance method based on management's evaluation of outstanding accounts receivable at year-end. Management periodically reviews specific accounts receivable past 90 days and assesses the likelihood of collection. If collection is remote, then management will write off the account at that time. Management recorded an allowance of approximately \$100 and \$1,000 at December 31, 2010 and 2009, respectively.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation of property and equipment is computed on the straight-line method over the asset's estimated useful life, ranging from three to five years. Major renewals and betterments are capitalized and depreciated; maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in the statements of income.

NEW ENGLAND RMS, INC.

**Notes to Financial Statements**

December 31, 2010 and 2009

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**Summary of Significant Accounting Policies (continued)**

Impairment of Property and Equipment

Long-lived assets held and used by the Company are tested for impairment using undiscounted net cash flows whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no impairment adjustments during the years ended December 31, 2010 and 2009.

Income Taxes

The Company elected to be taxed as a subchapter S corporation under the Internal Revenue Code; therefore, taxable income or loss of the Company is reported on the stockholder's federal and state income tax returns. Accordingly, no provision for income taxes was reflected in the accompanying financial statements.

The Company annually evaluates whether there are any uncertainties in income tax positions that may affect the financial statements. Management determined there were no material uncertain tax positions taken by the Company in their tax returns. Filed tax returns for the years ended 2006 and prior are closed.

Reclassifications

Certain amounts in the 2009 financial statements were reclassified to conform to current year presentation.

Health Care Entities Presentation of Insurance Claims and Related Insurance Recoveries

Accounting Standards Update No. 2010-24 was released specifically for health care entities and prescribes that the costs of asserted or unasserted malpractice claims or similar contingent liabilities, which includes costs associated with litigating or settling claims, shall be accrued when the incidents that give rise to the claims occur. The health care entity shall evaluate its exposure to losses arising from such claims and recognize and estimated liability as appropriate. The liability shall not be presented net of anticipated insurance recoveries; rather, an insurance receivable shall be recognized at the same time that the liability is recognized. Previously, health care entities had the option of showing the contingent liability and the expected insurance recoveries on a net basis. The new guidance conforms the accounting to broadly applied accounting practices of other industries. The standard is applicable for all fiscal reporting years beginning after December 15, 2010 with early application permitted.

NEW ENGLAND RMS, INC.

**Notes to Financial Statements**

December 31, 2010 and 2009

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**Cash**

Cash is maintained at a financial institution and, at times, balances may exceed federally insured limits. All of the Company's cash accounts are non-interest bearing and thus were fully insured at December 31, 2010 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Company's non-interest bearing cash balances may again exceed federally insured limits.

**Note Payable**

In May 2010, the Company entered into a term note agreement with a bank to finance the acquisition of a vehicle. The note bears interest at 5.99%. The term note is due in monthly principal and interest installments of approximately \$275 through May 2015. The term note is secured by a vehicle with a net book value of approximately \$16,000. The current portion due is included in accounts payable and accrued liabilities. Approximate annual maturities as of December 31, 2010 are as follows:

2011	\$ 2,700
2012	2,800
2013	3,000
2014	3,100
2015	<u>1,100</u>
Total	<u>\$ 12,700</u>

**Operating Lease Obligations**

The Company leases office space under a non-cancelable operating lease. The lease expired in May 2008 and the one time lease renewal option was exercised to extend the lease for a term of five years, which will expire in May 2013.

The following is a schedule of approximate future minimum lease payments required under the lease:

2011	\$ 32,000
2012	32,000
2013	<u>15,000</u>
Total	<u>\$ 79,000</u>

Rent expense was approximately \$32,000 for the years ended December 31, 2010 and 2009.

NEW ENGLAND RMS, INC.

**Notes to Financial Statements**

December 31, 2010 and 2009

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**Related Party Transactions**

Management Services

The Company entered into an agreement to receive management services from RMS Management, Inc. (RMSM). Both entities are affiliated through common ownership and control. Effective December 2010, an updated agreement, which is effective for 20 years, was signed. This agreement contains a termination clause enforceable by either party upon 30 days notice. Management fees are based on specified costs incurred by RMSM plus 10%. The fee is then allocated to the various entities, on a monthly basis, by the ratio of each entity's operating expenses to the total operating expenses of the related entities. Management fees of approximately \$92,000 and \$115,000 were incurred for the years ended December 31, 2010 and 2009, respectively. The Company owed RMSM approximately \$21,000 and \$46,000 at December 31, 2010 and 2009, respectively. The stockholder personally guaranteed payment of any outstanding management fees.

Shared Costs

Residential Management Systems, Inc. (RMSI), which is affiliated through common ownership and control, made certain shared cost payments on behalf of the Company. The Company owed RMSI approximately \$1,000 at both December 31, 2010 and 2009.

Note Payable – Line of Credit

The Company is a guarantor on three separate lines of credit which list other related entities as the borrowers. All entities are related through common ownership and control. Residential Management Systems, Inc. (RMSI) is listed as borrower on a line of credit which provides for a maximum borrowing of \$400,000. RMS of Ohio, Inc. (RMSO) is listed as borrower on a line of credit which provides for a maximum borrowing of \$400,000. Advanced Billing and Consulting Services, Inc. (ABCS) is listed as borrower on a line of credit which provides for a maximum borrowing of \$50,000. Each of the lines of credit is secured by all assets of the Company as well as certain other related parties, expire in August 2011 and are also guaranteed by RMSI, RMSO, New England RMS, Inc. (NERMS), ABCS and RMS Spectrum Services, Inc. (RMSS), all of which are related parties, as well as the stockholder and his spouse. Interest on each line is calculated on any outstanding balance at the one-month LIBOR plus 2.5%. There were no outstanding balances on the lines of credit at December 31, 2010 and 2009. The agreements require RMSO, RMSI and ABCS to comply with certain financial covenants on a combined basis.

Notes Payable to Related Parties

The Company has promissory notes payable to RMSI, RMSM and RMSO, which are affiliated through common ownership and control. The note payable to RMSI was secured by the accounts receivable of the Company and was due on demand. The Company has an unsecured note payable to RMSM that is due on demand. The Company also had an unsecured note payable to RMSO that was due on demand.



NEW ENGLAND RMS, INC.

**Notes to Financial Statements**

December 31, 2010 and 2009

**Related Party Transactions (continued)**

Notes Payable to Related Parties (continued)

Interest for all notes payable is calculated on the unpaid principal at the applicable federal rate in effect on the interest calculation date (0.32% and 0.69% at December 31, 2010 and 2009, respectively). Interest expense on the secured and unsecured notes combined was approximately \$1,000 and \$2,000 for the years ended December 31, 2010 and 2009, respectively.

The stockholder personally guaranteed full payment of any outstanding amounts owed on the notes payable.

The following is a summary of notes payable to related parties as of December 31:

	<u>2010</u>	<u>2009</u>
RMSM - unsecured note	<b>\$ 137,000</b>	\$ 86,000
RMSI - secured note	-	24,085
RMSO - unsecured note	-	80,000
Accrued interest	<u>254</u>	<u>567</u>
	<b><u>\$ 137,254</u></b>	<b><u>\$ 190,652</u></b>

**Defined Contribution Retirement Plan**

The Company participates in a defined contribution retirement plan with a 401(k) provision available to substantially all employees. The Company's required contributions are equal to the employee's voluntary contributions, up to a maximum of 6% of qualified wages. The Company's contributions were approximately \$9,000 and \$10,000 for the years ended December 31, 2010 and 2009, respectively.

**Self-Insured Medical Coverage**

Beginning in August 2009, the Company, along with all other related parties, entered into a group plan to self-insure their employees for medical coverage. The Company covers the cost of these services up to an individual specific employee stop-loss limit of \$60,000 per 12-month agreement period. If the employee incurs claims over \$60,000, then specific stop-loss insurance will cover a maximum of \$2,000,000 per member over the concurrent 12-month agreement period which resets at the beginning of each new agreement period. If the group incurs claims over 125% of the projected paid claims, then aggregate stop-loss insurance will cover a maximum of \$1,000,000 of claims over the 125% projected paid claims limit per its concurrent 12-month agreement period. The plan has a \$2,000,000 life-time maximum for which the member would no longer receive any benefits from the plan, the specific or the aggregate stop-loss policies. A liability was recorded in payroll and related liabilities for estimated unpaid claims of approximately \$9,000 and \$6,000 for medical services that occurred as of December 31, 2010 and 2009, respectively. This accrual is an estimate and actual results may be different.

**Notes to Financial Statements**

December 31, 2010 and 2009

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**Health Services Professional Liability Insurance**

The Company provides healthcare delivery services that are subject to potential professional liability claims. The Company has insurance coverage applicable to such claims, should they arise. Insurance covers up to \$1,000,000 per incident with a maximum aggregate coverage of \$3,000,000 within the premium contract year for both 2010 and 2009.

**Current Vulnerability Due To Certain Concentrations**

The Company's operations are concentrated in the long-term care market, which is a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal and state regulatory agencies including, but not limited to, the RIDDD. Such administrative directives, rules and regulations, including budgetary reimbursement funding, are subject to change by an act of Congress, the passage of laws by the Rhode Island General Assembly, or an administrative change mandated by one of the executive branch agencies. Such changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden to comply with a change. Revenues generated from participation in the program funded by RIDDD accounted for approximately 99% of the total net service revenue for both years ended December 31, 2010 and 2009. Accounts receivable from RIDDD at December 31, 2010 and 2009 were approximately \$91,000 and \$115,000, respectively.

**Subsequent Events**

The Company evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be released.

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## **SUPPLEMENTARY INFORMATION**

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Suite 700  
Columbus, OH 43215

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fax 614.227.6999

www.gba.com



Partners

To the Board of Directors and Stockholder  
New England RMS, Inc.  
Worthington, Ohio

### **Independent Auditors' Report on Compliance**

We have audited the compliance of New England RMS, Inc. with compliance requirements described in the *Reporting and Funding Guidelines* that are applicable to the Company's Medicaid funded program for the year ended December 31, 2010. Compliance with the requirements of laws, regulations, reporting and funding guidelines applicable to the Company's participation in the program is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's compliance based on our audit.

We conducted our audit of compliance in accordance with the *Audit Specifications for Agencies* issued by the Department of Mental Health, Retardation and Hospitals, Division of Developmental Disabilities, of the State of Rhode Island. Those specifications incorporate compliance requirements described in the *Reporting and Funding Guidelines* that are applicable to the Company's program. Those specifications require the auditor to perform compliance testing that shall include tests of transactions and such other procedures necessary to provide the auditor sufficient evidence to support an opinion on compliance with the guidelines. An audit includes examining on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Company's compliance with those requirements.

In our opinion, the Company complied, in all material respects, with the requirements referred to above that are applicable to its program for the year ended December 31, 2010.

This report is intended solely for the information of the Board of Directors, management, the Department of Mental Health, Retardation and Hospitals, Division of Developmental Disabilities, of the State of Rhode Island and is not intended to be and should not be used by anyone other than these specified parties.

*GBQ Partners LLC*

Columbus, Ohio  
April 4, 2011

NEW ENGLAND RMS, INC.

**Schedule of Findings and Questioned Costs**

December 31, 2010

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**Compliance Findings**

None.

**Questioned Costs**

None.

SCHEDULE A  
New England RMS, Inc.  
2010  
Schedule of Revenue and Expense  
for All Agency Programs

ACCOUNT DESCRIPTION	RESIDENTIAL PROGRAMS			DAY PROGRAM			FAMILY SUPPORT			RESIDENTIAL REPAIRS & MAINTEN.	ASSIT. TECH	HOME MOD	OTHER PROGRAMS	AGENCY
	TOTAL	ADMIN- ISTRATIVE	24-HOUR RESIDENTIAL	LESS THAN 24-HOUR RESIDENTIAL	SUPPORTED LIVING ARRANG.	DAY PROGRAM	WORKSHOP	RESPIRE	IN HOME SUPPORT					
REVENUES														
STATE OF RHODE ISLAND														
DEPARTMENT OF MHRH	1,242,701		878,532	144,153		219,915								
OTHER STATE DEPTS	0	0	0	0										
OUTSIDE CONTRACTORS	0	0	0	0										
SOCIAL SECURITY	0	0	0	0										
INVESTMENT INCOME	0	0	0	0										
CONTRIBUTIONS & GRANTS	0	0	0	0										
SPECIAL EVENTS - FUNDRAISING	0	0	0	0										
PROGRAM REVENUE	0	0	0	0										
WORKSHOP INCOME	0	0	0	0										
REALIZED GAINS/LOSSES	0	0	0	0										
OTHER	31	31	0	0										
TOTAL REVENUES	1,242,732	31	878,532	144,153	0	219,915	0	0	0	0	0	0	0	0
EXPENSES														
SALARIES & WAGES	850,600	153,380	395,656	21,685		118,579								
PAYROLL TAXES & BENEFITS	148,189	20,748	94,167	5,144		28,130								
CONSULTANTS	127,735	45,845	55,597	3,251		17,833								
SUPPLIES	11,632	2,628	6,801	372		2,031								
VEHICLES & TRAVEL	39,577	13,631	14,222	1,326		10,398								
CONVENTIONS & MEETINGS	0	2,851	0	0										
ORGANIZATIONAL DUES	2,861	1,455	28,889	8,163										
PROFESSIONAL FEES	61,327	14,455	7,380	404		2,207								
INSURANCE	14,527	3,620	7,380	404										
RENTS	0	0	0	0										
ICPA PROVIDER TAX	0	0	0	0										
PROPERTY TAX	850	850	0	0										
INTEREST	1,273	1,273	0	0										
LEASES & RENTALS	32,014	32,014	0	0										
DEPRECIATION	13,346	5,294	5,950	325		1,777								
UTILITIES	21,783	21,783	0	0										
REPAIRS & MAINTENANCE	2,143	2,143	0	0										
FUNDRAISING	0	0	5,514	356		1,943								
OTHER	16,727	7,914	5,514	356										
SUBTOTAL	1,184,763	330,259	630,586	41,026	0	182,838	0	0	0	0	0	0	0	0
ALLOCATION OF														
ADMINISTRATIVE BALANCE	(0)	(330,228)	244,008	13,130	0	72,890	0	0	0	0	0	0	0	0
TOTAL EXPENSES	1,184,738	0	874,594	54,356	0	255,728	0	0	0	0	0	0	0	0
TOTAL NET SURPLUS/DEFICIT	57,994	0	4,038	89,797	0	(35,812)	0	0	0	0	0	0	0	0

See Independent Auditors' Report on Compliance.

**SCHEDULE B**  
**New England RMS, Inc.**  
**2010**  
**Schedule of 24 Hour Residential**  
**Income and Expense by Residence**

ACCOUNT DESCRIPTION	TOTAL WAIVER RESIDENTIAL PROGRAM		300 Smithfield		300 Smithfield		170 Waterman Ave.		1515 West Shore Rd.		39 Case Lane		37 Case Lane	
	COMBINED	STATE	CLIENT	STATE	CLIENT	STATE	CLIENT	STATE	CLIENT	STATE	CLIENT	STATE	CLIENT	STATE
REVENUES														
STATE OF RHODE ISLAND														
DEPARTMENT OF MH/HR	878,632	878,632	0	182,166										
OTHER STATE DEPTS	0	0												
OUTSIDE CONTRACTORS	0	0												
SOCIAL SECURITY & PRIVATE CARE	0	0												
CITY OR TOWN SUPPORT	0	0												
INVESTMENT INCOME	0	0												
CONTRIBUTIONS & GRANTS	0	0												
SPECIAL EVENTS - FUNDRAISING	0	0												
PROGRAM REVENUE	0	0												
WORKSHOP INCOME	0	0												
REALIZED GAINS/LOSSES	0	0												
OTHER	0	0												
TOTAL REVENUES	878,632	878,632	0	182,166	0	103,346	0	83,112	0	171,825	0	164,742	0	173,641
EXPENSES														
SALARIES & WAGES	396,966	396,966	0	81,765										
PIR TAXES & BENEFITS	94,167	94,167	0	19,397										
CONSULTANTS	59,697	59,697	0	12,286										
SUPPLIES	6,801	6,801	0	1,401										
VEHICLES & TRAVEL	14,222	14,222	0	4,359										
CONVENTIONS & MEETINGS	0	0	0	0										
ORGANIZATIONAL DUES	0	0	0	0										
PROFESSIONAL FEES	38,889	38,889	0	16,113										
INSURANCE	7,390	7,390	0	1,522										
CLOTHING ALLOWANCE	0	0	0	0										
HCPA-PROVIDER TAX	0	0	0	0										
PROPERTY TAX	0	0	0	0										
INTEREST	0	0	0	0										
LEASES & RENTALS	0	0	0	0										
DEPRECIATION	5,950	5,950	0	1,226										
UTILITIES	0	0	0	0										
REPAIRS & MAINTENANCE	0	0	0	0										
FUNDRAISING	0	0	0	0										
OTHER	6,514	6,514	0	1,342										
SUBTOTAL EXPENSES	630,586	630,586	0	139,421	0	111,588	0	78,961	0	123,813	0	91,547	0	85,258
ALLOCATION OF														
ADMINISTRATIVE BALANCE	(244,008)	(244,008)	0	(50,261)	0	(43,382)	0	(31,541)	0	(48,207)	0	(35,857)	0	(35,060)
TOTAL NET SURPLUS/(DEFICIT)	4,038	4,038	0	(7,515)	0	(51,622)	0	(27,390)	0	(395)	0	37,638	0	53,323

See Independent Auditors' Report on Compliance.



SCHEDULE C  
NEW ENGLAND RMS, INC.  
2010  
SCHEDULE OF ADMINISTRATIVE WAGES

<u>Employee</u>	<u>Title</u>	<u>No. of Hours Per Week</u>	<u>Rate of Pay</u>	<u>Total Wages</u>
Robert Mann	Chief Operating Officer	40	\$30.70/Hr.	77,463
Barbara Barron	Office Coordinator	40	\$20.28/Hr.	47,076
Roxanne Keovongvichit	Office Assistant	40	\$12.73/Hr.	28,841
Total Administrative Wages				\$ 153,380

See Independent Auditors' Report on Compliance.

## SCHEDULE OF PROFESSIONAL SERVICES

## PHYSICAL THERAPIST

	E=EMPLOYEE C=CONSULTANT	PROGRAM OR RESIDENCE	HOURLY RATE OF PAY	TOTAL HOURS WORKED	TOTAL PAID FOR THE YEAR
NONE					
TOTAL					-

## OCCUAPTIONAL THERAPIST

NAME	E=EMPLOYEE C=CONSULTANT	PROGRAM OR RESIDENCE	HOURLY RATE OF PAY	TOTAL HOURS WORKED	TOTAL PAID FOR THE YEAR
NONE					
TOTAL					

*See Independent Auditors' Report on Compliance.*

## SPEECH THERAPY

	E=EMPLOYEE C=CONSULTANT	PROGRAM OR RESIDENCE	HOURLY RATE OF PAY	TOTAL HOURS WORKED	TOTAL PAID FOR THE YEAR
NONE					
TOTAL					-

## NURSING SERVICES

NAME	E=EMPLOYEE C=CONSULTANT	PROGRAM OR RESIDENCE	HOURLY RATE OF PAY	TOTAL HOURS WORKED	TOTAL PAID FOR THE YEAR
Ethel Axelrod	C=CONSULTANT	300 Smithfield P1-2	30.00	35.25	1,058
Ethel Axelrod	C=CONSULTANT	300 Smithfield P2-24	30.00	14.75	443
Ethel Axelrod	C=CONSULTANT	170 Waterman Ave.	30.00	8.50	255
Ethel Axelrod	C=CONSULTANT	1515 West Shore Rd.	30.00	78.25	2,348
Ethel Axelrod	C=CONSULTANT	39 Case Lane	30.00	33.50	1,005
Ethel Axelrod	C=CONSULTANT	37 Case Lane	30.00	14.00	420
Ethel Axelrod	C=CONSULTANT	Non 24 Hr. Settings	30.00	122.75	3,682
Ethel Axelrod	C=CONSULTANT	Administrative	30.00	431.50	12,945
TOTAL					22,156

*See Independent Auditors' Report on Compliance.*

**SCHEDULE D**  
**NEW ENGLAND RMS, INC.**  
**2010**  
**SCHEDULE OF PROFESSIONAL SERVICES**

**PSYCHOLOGICAL SERVICES**

NAME	E=EMPLOYEE C=CONSULTANT	PROGRAM OR RESIDENCE	HOURLY RATE OF PAY	TOTAL HOURS WORKED	TOTAL PAID FOR THE YEAR
Cheryl Desrosiers	C=CONSULTANT	300 Smithfield P1-2	50.00	55.50	2,775
Saul Martin	C=CONSULTANT	300 Smithfield P1-2	110.00	3.00	330
Justice Resource Institute	C=CONSULTANT	300 Smithfield P1-2	85 or 50	204.00	11,950
Cheryl Desrosiers	C=CONSULTANT	300 Smithfield P2-24	50.00	37.50	1,875
Saul Martin	C=CONSULTANT	300 Smithfield P2-24	110.00	1.00	110
Peaceful Mind Inc.	C=CONSULTANT	300 Smithfield P2-24	90 or 95	37.00	3,345
Cheryl Desrosiers	C=CONSULTANT	170 Waterman	50.00	14.00	700
Peaceful Mind Inc.	C=CONSULTANT	170 Waterman	90.00	17.00	1,530
Cheryl Desrosiers	C=CONSULTANT	1515 West Shore Rd.	50.00	31.50	1,575
Peaceful Mind Inc.	C=CONSULTANT	1515 West Shore Rd.	90.00	43.00	3,870
Cheryl Desrosiers	C=CONSULTANT	39 Case Lane	50.00	13.50	675
Peaceful Mind Inc.	C=CONSULTANT	39 Case Lane	90.00	47.00	4,230
Cheryl Desrosiers	C=CONSULTANT	37 Case Lane	50.00	3.50	175
Saul Martin	C=CONSULTANT	37 Case Lane	110.00	2.00	220
Cheryl Desrosiers	C=CONSULTANT	Non 24 Hour Settings	50.00	24.00	1,200
Saul Martin	C=CONSULTANT	Non 24 Hour Settings	110.00	1.00	110
Peaceful Mind Inc.	C=CONSULTANT	Non 24 Hour Settings	90 or 100	35.00	3,160
Cheryl Desrosiers	C=CONSULTANT	Administrative	50.00	20.00	1,000
Peaceful Mind Inc.	C=CONSULTANT	Administrative	90 or 100	3.50	340
<b>TOTAL</b>					<b>39,170</b>

**OTHER SERVICES**

NAME	E=EMPLOYEE C=CONSULTANT	PROGRAM OR RESIDENCE	HOURLY RATE OF PAY	TOTAL HOURS WORKED	TOTAL PAID FOR THE YEAR
NONE					
<b>TOTAL</b>					

*See Independent Auditors' Report on Compliance.*

**SCHEDULE E**  
**New England RMS, Inc.**  
**2010**  
**Depreciation Schedule**

[illegible]

*See Independent Auditors' Report on Compliance.*

## SCHEDULE F

## Workshop Only - Record 50% of Excess

24

# CASH FLOW - YEAR 1

1. CASH ON HAND (Beginning of month)		Startup	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	TOTAL
2. CASH RECEIPTS															
Cash Sales															
Collections from Credit Accounts															
Loan or Other Cash Injection		5,000	-	-	-	(15,609)	3,001	3,002	3,003	3,004	3,005	3,006	3,007	3,008	70,450
3. TOTAL CASH RECEIPTS		5,000	-	-	-	28,396	9,410	11,398	12,451	14,516	15,472	18,314	19,324	21,405	80,238
4. TOTAL CASH AVAILABLE (Before cash out (1 + 3))		5,000	-	-	-	12,787	12,411	14,400	15,454	17,520	18,477	21,320	22,331	24,413	150,688
5. CASH PAID OUT															
Program/OSHA Supplies		-	-	-	-	42	42	42	42	42	42	42	42	42	378
Administrator Wages		9,800	-	-	-	5,284	4,944	5,285	5,114	5,285	5,114	5,285	5,285	5,114	46,710
Other Wages		-	-	-	-	-	-	1,205	2,314	3,758	4,652	6,336	7,110	5,114	33,919
Payroll Taxes/Workers Comp		1,245	-	-	-	688	644	850	804	1,015	1,120	1,361	1,468	1,541	9,589
Group Insurance		-	-	-	-	-	-	15	15	15	15	463	463	895	1,866
Pension Expense		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Staff Training		-	-	-	-	42	42	42	42	42	42	42	42	42	375
Heat, Light & Power		-	-	-	-	292	292	292	292	292	292	292	292	292	2,628
Telephone		-	-	-	-	200	200	200	200	200	200	200	200	200	1,800
Office Supplies/Postage		-	-	-	-	167	167	167	167	167	167	167	167	167	1,503
Other G&A		-	-	-	-	42	42	42	42	42	42	42	42	42	378
Dues, Subs & License Fees		-	-	-	-	83	83	83	83	83	83	83	83	83	747
Help Wanted Adver/Other Recruit		-	-	-	-	42	42	51	68	76	76	85	85	102	628
Marketing		2,700	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel-Mileage		-	-	-	-	129	166	228	268	327	365	426	475	509	2,893
Travel-Food		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounting and Legal		-	-	-	-	83	83	83	83	83	83	83	83	83	747
Insurance		-	-	-	-	170	170	170	170	170	170	170	170	170	1,530
Interest		-	-	-	-	6	7	8	9	10	11	12	13	14	91
Building Rent		-	-	-	-	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	15,300
Building License		2,064	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocated Admin		-	-	-	-	817	766	850	1,037	1,206	1,287	1,521	1,605	1,776	10,987
Subtotal		15,609	-	-	-	9,786	9,409	11,397	12,450	14,515	15,471	18,313	19,323	21,403	132,069
Loan Principal Payment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Purchases [Specify]		5,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Start-up Costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve and/or Escrow [Specify]		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Owner's Withdrawal		20,609	-	-	-	9,786	9,409	11,397	12,450	14,515	15,471	18,313	19,323	21,403	132,069</

## CASH FLOW - YEAR 2

[illegible]



## CASH FLOW - YEAR 3

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	TOTAL
1. CASH ON HAND [Beginning of month]													
2. CASH RECEIPTS	3,000	3,000	3,000	3,000	3,000	7,274	2,808	3,136	2,891	5,609	2,914	3,033	
Cash Sales													832,899
Collections from Credit Accounts	50,428	55,173	56,361	61,304	66,588	63,012	72,930	73,647	79,272	79,785	85,614	88,785	13,261
Loan or Other Cash Injection	3,738	1,630	4,144	3,750									846,160
3. TOTAL CASH RECEIPTS	54,166	56,803	60,505	65,054	66,588	63,012	72,930	73,647	79,272	79,785	85,614	88,785	
4. TOTAL CASH AVAILABLE [Before cash out] (1 + 3)	57,166	59,803	63,505	68,054	69,588	70,286	75,738	76,783	82,163	85,394	88,528	91,818	
5. CASH PAID OUT													
Program/OSHA Supplies	150	150	150	283	283	283	283	283	283	283	283	283	2,997
Administrator Wages	7,257	7,024	7,257	7,475	6,752	7,475	7,234	7,475	7,234	7,475	7,475	7,234	87,367
Other Wages	29,850	31,745	34,374	37,058	35,207	38,637	38,952	43,631	41,984	48,585	48,976	51,193	481,192
Payroll Taxes/Workers Comp	4,712	4,944	5,320	5,955	5,514	5,913	5,933	6,584	6,340	7,219	7,138	7,420	73,092
Group Insurance	2,945	3,420	3,424	3,752	4,284	4,284	4,289	4,294	4,294	5,371	5,566	5,893	51,626
Pension Expense	420	435	465	520	487	536	535	586	565	646	640	657	6,492
Staff Training	42	42	42	42	42	42	42	42	42	42	42	42	500
Heat Light & Power	292	292	292	292	292	292	292	292	292	292	292	292	3,504
Telephone	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Office Supplies/Postage	167	167	167	167	167	167	167	167	167	167	167	167	2,004
Other G&A	69	69	69	96	96	96	96	96	96	96	96	96	1,071
Dues, Subs & License Fees	83	83	83	83	83	83	83	83	83	83	83	83	996
Help Wanted Adver/Other Recruit	93	102	104	105	107	105	107	115	115	120	120	128	1,323
Marketing	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel-Mileage	1,417	1,444	1,565	1,639	1,546	1,788	1,803	1,938	1,947	2,086	2,160	2,163	21,499
Travel-Food	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounting and Legal	83	83	83	83	83	83	83	83	83	83	83	83	996
Insurance	179	179	179	187	187	187	187	187	187	187	187	187	2,220
Interest	25	25	25	27	27	27	26	26	25	25	24	24	305
Building Rent	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	20,400
Building License	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocated Admin	4,482	4,899	5,005	5,381	5,154	5,581	5,591	6,110	5,917	6,819	6,783	7,016	68,518
Subtotal	54,166	56,803	60,505	65,054	62,314	67,478	67,603	73,892	71,554	82,479	81,795	84,861	828,502
Loan Principal Payment	-	-	-	-	-	-	5,000	-	5,000	-	3,700	3,800	17,500
Capital Purchases [Specify]	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Start-up Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve and/or Escrow [Specify]	-	-	-	-	-	-	-	-	-	-	-	-	-
Owner's Withdrawal	-	-	-	-	-	-	-	-	-	-	-	-	-
6. TOTAL CASH PAID OUT	54,166	56,803	60,505	65,054	62,314	67,478	67,603	73,892	71,554	82,479	81,795	84,861	846,002
7. CASH POSITION													
End of month (4 minus 6)	3,000	3,000	3,000	3,000	7,274	2,808	3,136	2,891	5,609	2,914	3,033	3,158	
ESSENTIAL OPERATING DATA													
[Non-cash flow information]													
A. Sales Volume [Dollars]	55,173	56,361	61,304	66,588	63,012	72,930	73,647	79,272	79,785	85,614	88,785	88,991	871,462
B. Accounts Receivable [End of Month]	55,173	56,361	61,304	66,588	63,012	72,930	73,647	79,272	79,785	85,614	88,785	88,991	-
C. Bad Debt [End of Month]	-	-	-	-	-	-	-	-	-	-	-	-	-
D. Inventory on Hand [End of Month]	-	-	-	-	-	-	-	-	-	-	-	-	-
E. Accounts Payable [End of Month]	111	111	111	111	111	111	111	111	111	111	111	111	1,332
F. Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-

# **APPENDIX G - Ownership Information** **Ocean State Home Care**

1.	Name	Description	Home Address	Business Address	Principal Occupation	Position w/ Respect to Applicant	% of Ownership
	Joseph Cozzolino	• Board of Director • Officer(President/Secretary)	425 Dockside Dr. #904 Naples, FL 34110	2374 Post Rd. Suite 204 Warwick, RI 02886	Owner	Officer/Director/Owner	100%
1.	Scott Cozzolino	• Board of Director • Officer (Vice President)	4431 Elliot Ave. Dayton, OH 45410	2374 Post Rd. Suite 204 Warwick, RI 02886	Self-Employed	Officer/Director	0%
	Tiffany Cozzolino	• Board of Director • Officer (Treasurer)	858 W. Wrightwood Ave. Chicago, IL 60614	2374 Post Rd. Suite 204 Warwick, RI 02886	Banker	Officer/Director	0%

2.	Name	Entity Name	(A) Relationship to the Entity & Amount of Interest Held	(B) Type of License Held	(C) Address of the Entity	(D) State License #	(E) Medicare Provider #	(F) Professional Accreditation
	Joseph Cozzolino	Residential Management Systems, Inc.	Officer/Director/Owner (100%)	ICF/DD	402 E. Wilson Bridge Rd. Suite A Worthington, OH 43085	28024 28361 28503 28686 28141 28393	36-G297 36-G306 36-G304 36-G303 36-G597 36-G644	None
2.	Joseph Cozzolino	RMS of Ohio, Inc. (Medicaid Waiver Service Provider)	Officer/Director/Owner (100%)	n/a	402 E. Wilson Bridge Rd. Suite A Worthington, OH 43085	n/a	n/a	None
	Joseph Cozzolino	RMS Spectrum Services, Inc. (Medicaid Waiver Service Provider)	Officer/Director/Owner (100%)	n/a	402 E. Wilson Bridge Rd. Suite A Worthington, OH 43085	n/a	n/a	None

# **APPENDIX G - Ownership Information** **Ocean State Home Care**

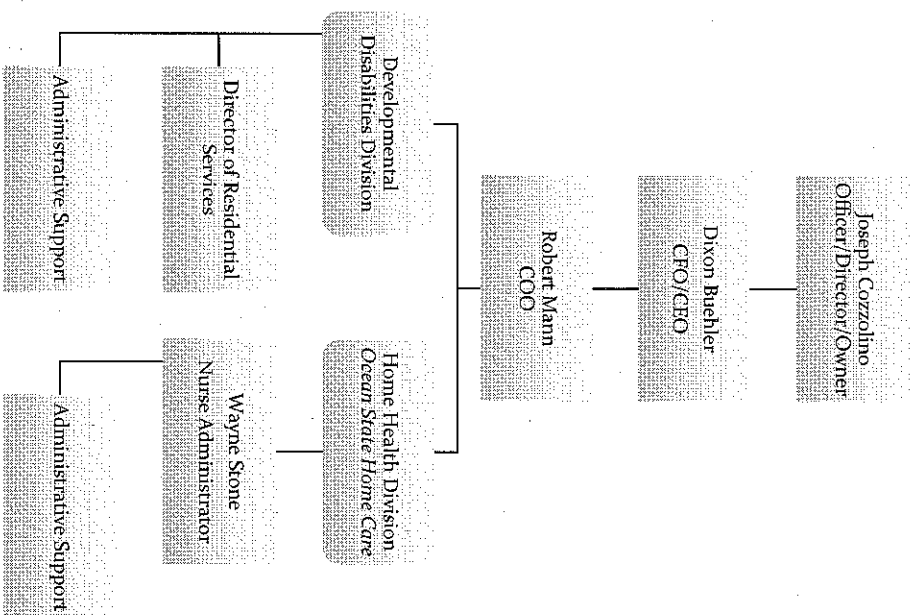
<b>Name</b>	<b>Entity Name</b>	<b>(A) Relationship to Entity &amp; Amount of Interest Held</b>	<b>(B) Type of License Held</b>	<b>(C) Address of the Entity</b>	<b>(D) State License #</b>	<b>(E) Medicare Provider #</b>	<b>(F) Professional Accreditation</b>
Scott Cozzolino	Residential Management Systems, Inc.	Officer/Director	ICF/DD	402 E. Wilson Bridge Rd. Suite A Worthington, OH 43085	28024 28361 28503 28686 28141 28393	36-G297 36-G306 36-G304 36-G303 36-G597 36-G644	None
Scott Cozzolino	RMS of Ohio, Inc. <i>(Medicaid Waiver Service Provider)</i>	Officer/Director	n/a	402 E. Wilson Bridge Rd. Suite A Worthington, OH 43085	n/a	n/a	None
Scott Cozzolino	RMS Spectrum Services, Inc. <i>(Medicaid Waiver Service Provider)</i>	Officer/Director	n/a	402 E. Wilson Bridge Rd. Suite A Worthington, OH 43085	n/a	n/a	None
Tiffany Cozzolino	Residential Management Systems, Inc.	Officer/Director	ICF/DD	402 E. Wilson Bridge Rd. Suite A Worthington, OH 43085	28024 28361 28503 28686 28141 28393	36-G297 36-G306 36-G304 36-G303 36-G597 36-G644	None
Tiffany Cozzolino	RMS of Ohio, Inc. <i>(Medicaid Waiver Service Provider)</i>	Officer/Director	n/a	402 E. Wilson Bridge Rd. Suite A Worthington, OH 43085	n/a	n/a	None
Tiffany Cozzolino	RMS Spectrum Services, Inc. <i>(Medicaid Waiver Service Provider)</i>	Officer/Director	n/a	402 E. Wilson Bridge Rd. Suite A Worthington, OH 43085	n/a	n/a	None

# **APPENDIX G - Ownership Information** **Ocean State Home Care**

3.	N/A
4.	No
5.	See attached Organization Chart for New England RMS, Inc. NOTE: No parent or sister relationships exist.
6.	None
7.	No
8.	No
9.	See attached

# Organization Chart (Appendix G, #5)

## New England RMS, Inc.



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
*Office of the Secretary of State*

*James R. Langevin, Secretary of State*

FILE

CERTIFICATE OF INCORPORATION  
OF

New England RMS RI, Inc.

I, JAMES R. LANGEVIN, Secretary of State of the State of Rhode Island and Providence Plantations, hereby certify that duplicate originals of Articles of Incorporation for the incorporation of

New England RMS RI, Inc.

duly signed and verified pursuant to the provisions of Chapter 7-1.1 of the General Laws, 1956, as amended, have been received in this office and are found to conform to law. The affixed is a duplicate original of the Articles of Incorporation.

WITNESS my hand and the seal of the State of  
Rhode Island and Providence Plantations this  
13<sup>th</sup> day of July, 2000.

*James R. Langevin*

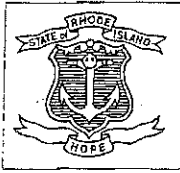
Secretary of State

By

*Paul Berthiaume*

Filing Fee: \$150.00

ID Number: \_\_\_\_\_



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Office of the Secretary of State  
Corporations Division  
100 North Main Street  
Providence, Rhode Island 02903-1335

RECEIVED  
SECRETARY OF STATE  
CORPORATIONS DIV.  
JUL 13 12 48 PM '00

FILED

JUL 13 2000

BY ABH 244010

BUSINESS CORPORATION

ARTICLES OF INCORPORATION

(To Be Filed In Duplicate Original)

The undersigned acting as incorporator(s) of a corporation under Chapter 7-1.1 of the General Laws, 1956, as amended, adopt(s) the following Articles of Incorporation for such corporation:

1. The name of the corporation is New England RMS RI, Inc.

~~THIS CORPORATION HAS BEEN INCORPORATED IN THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS~~

2. The period of its duration is (if perpetual, so state) Perpetual

3. The specific purpose or purposes for which the corporation is organized are:

To provide a full range of services to persons with disabilities, and to  
transact any and all other lawful business for which corporations may be  
incorporated under the Rhode Island Business Corporation Act, as the same  
may be amended from time-to-time hereafter.

4. The aggregate number of shares which the corporation shall have authority to issue is:

(a) If only one class: Total number of shares 8,000 (If the authorized shares are to consist of one class only state the par value of such shares or a statement that all of such shares are to be without par value.):

\$0.01 par value per share

or

(b) If more than one class: Total number of shares \_\_\_\_\_ (State (A) the number of shares of each class thereof that are to have a par value and the par value of each share of each such class, and/or (B) the number of such shares that are to be without par value, and (C) a statement of all or any of the designations and the powers, preferences and rights, including voting rights, and the qualifications, limitations or restrictions thereof, which are permitted by the provisions of Chapter 7-1.1 of the General Laws, 1956, as amended, in respect of any class or classes of stock of the corporation and the fixing of which by the articles of association is desired, and an express grant of such authority as it may then be desired to grant to the board of directors to fix by vote or votes any thereof that may be desired but which shall not be fixed by the articles.);

5. Provisions, if any, dealing with the preemptive right of shareholders pursuant to § 7-1.1-24 of the General Laws, 1956, as amended:

The shareholders shall have no preemptive rights to acquire unissued or  
treasury shares securities convertible into shares or carrying a right to subscribe  
to or acquire shares.

6. Provisions, if any, for the regulation of the internal affairs of the corporation:

See Exhibit A attached

7. The address of the initial registered office of the corporation is 300 Turks Head Building  
(Street Address, not P.O. Box)  
Providence, RI 02903 and the name of its initial registered agent  
(City/Town) (Zip Code)  
at such address is Jeffrey B. Cianciolo, Esq.  
(Name of Agent)

8. The number of directors constituting the initial board of directors of the corporation is 3 and the names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders or until their successors are elected and shall qualify are: (If this is a close corporation pursuant to Section 7-1.1-51 of the General Laws, 1956, as amended, and there shall be no board of directors, state the titles of the initial officers of the corporation and the names and addresses of the persons who are to serve as officers until the first annual meeting of shareholders or until their successors be elected and qualify.)

<u>Title</u>	<u>Name</u>	<u>Address</u>
	<u>Joseph P. Cozzolino</u>	<u>260 West Exchange St., Suite 203, Prov., RI</u>
	<u>Barbara Cuneo</u>	<u>260 West Exchange St., Suite 203, Prov., RI</u>
	<u>Alan Kesselhaut</u>	<u>260 West Exchange St., Suite 203, Prov., RI</u>

9. The name and address of each incorporator is:

<u>Name</u>	<u>Address</u>
<u>Jeffrey B. Cianciolo, Esq.</u>	<u>300 Turks Head Building, Providence, RI</u>

10. Date when corporate existence is to begin Upon the filing of these Articles of Incorporation  
(not prior to, nor more than 30 days after, the filing of these articles of incorporation)

Date: July 13, 2000

Jeffrey B. Cianciolo

Signature of each Incorporator

STATE OF Rhode Island  
COUNTY OF Providence

In Providence, on this 13<sup>TH</sup> day of July, 2000, personally appeared before me Jeffrey B. Cianciolo  
each and all known to me and known by me to be the parties executing the foregoing instrument, and they severally acknowledged said instrument by them subscribed to be their free act and deed.

Doris Vallesse  
Notary Public  
My Commission Expires: 12/07/03



NEW ENGLAND RMS RI, INC.

ARTICLES OF INCORPORATION

EXHIBIT A

6. Provisions for the regulation of the internal affairs of the Corporation:

I. Except as otherwise provided by the Rhode Island Business Corporation Act, as has been or may hereafter be amended (the "Act"), any action required or permitted to be taken at a meeting of shareholders by the Act, by these articles of incorporation or by the by-laws of the Corporation may be taken without a meeting upon the written consent of less than all of the shareholders entitled to vote thereon if the shareholders who so consent would be entitled to cast at least the minimum number of votes which would be required to take such action at a meeting at which all shareholders entitled to vote thereon are present.

II. The Board of Directors of the Corporation shall have the authority to distribute to its shareholders, directly or by the purchase of its own shares, a portion of its assets, in cash or property, out of the unreserved and unrestricted capital surplus of the Corporation, without the affirmative vote of the shareholders of any class of the capital stock of the Corporation.

III. (A) A Director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of the Director's duty as a Director, except for (i) liability for any breach of the Director's duty of loyalty to the Corporation or its shareholders, (ii) liability for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) liability imposed pursuant to the provisions of Section 43 of the Act, or (iv) liability for any transaction (other than transactions approved in accordance with Section 37.1 of the Act) from which the Director derived an improper personal benefit. If the Act is amended to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of a Director of the Corporation shall be eliminated or limited to the fullest extent so permitted. Any repeal or modification of this provision by the Corporation shall not adversely affect any right or protection of a Director of the Corporation existing prior to such repeal or modification.

(B) The Directors of the Corporation may include provisions in the Corporation's by-laws, or may authorize agreements to be entered into with each Director, officer, employee or other agent of the Corporation (an "Indemnified Person"), for the purpose of indemnifying an Indemnified Person in the manner and to the extent permitted by the Act.

In addition to the authority conferred upon the Directors of the Corporation by the foregoing paragraph, the Directors of the Corporation may include provisions in its by-laws, or may authorize agreements to be entered into with each Indemnified Person, for the purpose of indemnifying such person in the manner and to the extent provided herein:

(i) The by-law provisions or agreements authorized hereby may provide that the Corporation shall, subject to the provisions of this Article, pay, on behalf of an Indemnified Person any Loss or Expenses arising from any claim or claims which are made against the Indemnified Person (whether individually or jointly with other Indemnified Persons) by reason of any Covered Act of the Indemnified Person.

(ii) For the purposes of this Article, when used herein

(1) "Directors" means any or all of the directors of the Corporation or those one or more shareholders or other persons who are exercising any powers normally vested in the board of directors;

(2) "Loss" means any amount which an Indemnified Person is legally obligated to pay for any claim for Covered Acts and shall include, without being limited to, damages, settlements, fines, penalties or, with respect to employee benefit plans, excise taxes;

(3) "Expenses" means any expenses incurred in connection with the defense against any claim for Covered Acts, including, without being limited to, legal, accounting or investigative fees and expenses or bonds necessary to pursue an appeal of an adverse judgment; and

(4) "Covered Act" means any act or omission of an Indemnified Person in the Indemnified Person's official capacity with the Corporation and while serving as such or while serving at the request of the Corporation as a member of the governing body, officer, employee or agent of another corporation, including, but not limited to corporations which are subsidiaries or affiliates of the Corporation, partnership, joint venture, trust, other enterprise or employee benefit plan.

(iii) The by-law provisions or agreements authorized hereby may cover Loss or Expenses arising from any claims made against a retired Indemnified Person, the estate, heirs or legal representative of a deceased Indemnified Person or the legal representative of an incompetent, insolvent or bankrupt Indemnified Person, where the Indemnified Person was an Indemnified Person at the time the Covered Act upon which such claims are based occurred.

(iv) Any by-law provisions or agreements authorized hereby may provide for the advancement of Expenses to an Indemnified Person prior to the final disposition of any action, suit or proceeding, or any appeal therefrom, involving such Indemnified Person and based on the alleged commission by such Indemnified Person of a Covered Act, subject to an undertaking by or on behalf of such Indemnified Person to repay the same to the Corporation if the Covered Act involves a claim for which indemnification is not permitted under clause (v), below, and the final disposition of such action, suit, proceeding or appeal results in an adjudication adverse to such Indemnified Person.

(v) The by-law provisions or agreements authorized hereby may not indemnify an Indemnified Person from and against any Loss, and the Corporation shall not reimburse for any Expenses, in connection with any claim or claims made against an Indemnified Person which the Corporation has determined to have resulted from: (1) any breach of the Indemnified Person's duty of loyalty to the Corporation or its stockholders; (2) acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law; (3) action contravening Section 43 of the Act; or (4) a transaction (other than a transaction approved in accordance with Section 37.1 of the Act) from which the person seeking indemnification derived an improper personal benefit.

BY-LAWS

OF

FILE

NEW ENGLAND RMS, INC.  
(f/k/a New England RMS RI, Inc.)

Article I

OFFICES

The Corporation shall have offices at such places both within and without the State of Rhode Island as may from time to time be determined by the board of directors or as the business of the Corporation may require.

Article II

MEETINGS OF SHAREHOLDERS

Section 1. Place of Meetings. All annual meetings of the shareholders and all special meetings of the shareholders called by the president or the board of directors shall be held at such place within or without the State of Rhode Island as shall be stated in the notice of meeting. All other special meetings of the shareholders shall be held at an office of the Corporation in the State of Rhode Island or such other place within or without the State of Rhode Island as determined by the President or by the Board of Directors.

Section 2. Annual Meetings. An annual meeting of the shareholders shall be held on the third Tuesday in January in each year if not a legal holiday in the place where it is to be held, and if a legal holiday, then on the next day following which is not a legal holiday, beginning at 2:00 P.M. or on such other date and time as shall be designated by the Board of Directors as stated in such notice. At each annual meeting, the shareholders shall elect a board of directors and shall transact such other business as may properly come before the meeting. In

the event of the failure to hold said annual meeting at any time or for any cause, any and all business which might have been transacted at such meeting may be transacted at the next succeeding meeting, whether special or annual.

Section 3. Special Meetings. A special meeting of the shareholders, for any purpose or purposes, may be called by the president, the board of directors, or the holders of record of not less than one-tenth of the shares entitled to vote at such meeting. Any such call shall state the purpose or purposes of the proposed meeting.

Section 4. Notice of Meetings. Written notice of each annual or special meeting stating the place, day and hour of the meeting (and the purpose or purposes of any special meeting) shall be given by or at the direction of the president, the secretary or the person or persons calling the meeting to each shareholder of record entitled to vote at such meeting not less than ten nor more than sixty days before the meeting. Business transacted at any special meeting of shareholders shall be limited to the purposes stated in the notice of the meeting or any written waiver thereof.

Section 5. Quorum. The holders of a majority of the capital shares issued, outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the shareholders for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the shareholders, the shareholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If adjournment is for more than thirty days, a

notice of the adjourned meeting shall be given to each shareholder entitled to vote at the meeting. When a quorum is present at any meeting, the vote of the holders of a majority of the capital shares entitled to vote and present in person or represented by proxy, shall decide any question brought before such meeting, unless the vote of a greater number is required by law.

Section 6. Proxies. Every shareholder entitled to vote at a meeting or to express consent without a meeting may authorize another person or persons to act for him by proxy, executed in writing by the shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven months from the date thereof, unless otherwise provided in the proxy.

Section 7. Consent Votes. Any action required or permitted to be taken at a meeting of shareholders may be taken without a meeting if all the shareholders entitled to vote thereon consent thereto in writing. In addition to the foregoing, except as otherwise provided by the Rhode Island Business Corporation Act (the "Act"), any action required or permitted to be taken at a meeting of the shareholders by the Act, the articles of incorporation or these By-laws, may be taken without a meeting upon the written consent of less than all the shareholders entitled to vote thereon if the shareholders who so consent would be entitled to cast at least the minimum number of votes which would be required to take such action at a meeting at which all shareholders entitled to vote thereon are present. Prompt notice of such action shall be given to all shareholders who would have been entitled to vote upon the action if such meeting were held.

### Article III

### DIRECTORS

Section 1. Powers. The business and affairs of the Corporation shall be managed by the board of directors.

Section 2. Number. The number of directors shall be not less than one nor more than ten. The number constituting the initial board shall be fixed by the articles of incorporation. Thereafter, within the limits above specified, the number of directors shall be fixed by vote of the shareholders at the annual meeting.

Section 3. Election and Term. The directors shall be elected at the annual meeting of the shareholders, except as provided in Section 5 of this Article, and each director elected shall hold office until the next annual meeting of the shareholders and thereafter until his successor is elected and qualified (unless there shall be no successor as a result of a decrease in the number of the board of directors). Any or all of the directors may be removed with or without cause by vote of the shareholders. Directors need not be shareholders of the Corporation or residents of the State of Rhode Island.

Section 4. Meetings. The board of directors may hold meetings, both regular and special, either within or without the State of Rhode Island. The first meeting of each newly elected board of directors shall be held at such time and place as shall be specified in a notice delivered as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board of directors. Special meetings of the board of directors may be called by the president on two days' notice to each director, either personally or by mail or by telegram. Special meetings shall be called by the president or secretary in like manner and on like notice on the written request of two directors. Meetings of the directors may be held by

means of a telephone conference circuit and connection to such circuit shall constitute presence at such meeting.

Section 5. Vacancies. Any vacancy occurring in the board of directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the board of directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors may be filled by the board of directors for the term of office continuing only until the next election of directors by the shareholders.

Section 6. Quorum. At all meetings of the board of directors, a majority of the number of directors fixed pursuant to Section 2 of this Article shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by the Rhode Island Business Corporation Act or by the articles of incorporation.

Section 7. Directors' Consent Vote. Any action required or permitted to be taken at a meeting of the board of directors or of any committee thereof may be taken without a meeting if a consent in writing, setting forth the action so to be taken, shall be signed before or after such action by all of the directors, or all of the members of such committee, as the case may be.

Section 8. Committees of Directors. The board of directors may, by vote passed by a majority of the whole board, designate one or more committees, including an executive committee, each committee to consist of two or more of the directors of the Corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Except as



provided by the Rhode Island Business Corporation Act, any such committee, to the extent provided in the resolution, shall have and may exercise all the authority of the board of directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, however, that in the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors. Each committee shall keep regular minutes of its proceedings and report the same to the board of directors when required.

Section 9. Compensation of Directors. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of Special or standing committees may be allowed like compensation for attending committee meetings.

#### Article IV

#### NOTICES

Section 1. How Delivered. Whenever under the provisions of the Rhode Island Business Corporation Act or of the articles of incorporation or of these By-laws written notice is required to be given to any person, such notice may be given by mail, addressed to such person, at his address as it appears in the records of the Corporation, with postage thereon

prepaid, and such notice shall be deemed to be delivered, if mailed, at the time when the same shall be deposited in the United States mail in the State of Rhode Island. Notice may also be given by telegram, courier service or personally to any director.

Section 2. Waivers of Notice. Whenever any notice is required to be given under the provisions of the Rhode Island Business Corporation Act or of the articles of incorporation or these By-laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attended a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 3. Specification of Business. Neither the business to be transacted at, nor the purpose of, any meeting of the shareholders or members of a committee need be specified in any written waiver of notice except as otherwise herein expressly provided.

## Article V

### OFFICERS

Section 1. Number. The officers of the Corporation shall be a president, a vice-president, a secretary, and a treasurer. The board of directors may from time to time elect or appoint such other officers, including a chairman of the board and one or more vice presidents, assistant officers and agents and delegate and assign to them such authorities and duties, as it may deem necessary. Any two or more of the offices may be held by the same person. None of the officers need be either a shareholder or director.

Section 2. Election and Term. The officers of the Corporation shall be elected by the board of directors at its first meeting after the meeting of shareholders held for the election of

directors. Each officer shall be elected to serve until his successor shall have been elected and shall have qualified or until his earlier death, resignation or removal as hereinafter provided. Any officer or agent may be removed by the board of directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal will be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 3. Authority and Duties. The president shall be the principal executive officer of the Corporation and shall supervise and conduct the business and affairs of the Corporation. The other officers of the Corporation shall have the powers and shall perform the duties customarily appurtenant to their respective offices, and shall have such further powers and shall perform such further duties as shall be from time to time assigned to them.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal or otherwise may be filled by the board of directors for the unexpired portion of the term.

Section 5. Signing of Instruments. All checks, drafts, orders, notes and other obligations of the Corporation for the payment of money, and deeds, mortgages, leases, contracts, bonds and other corporate instruments may be signed by such officer or officers of the Corporation or by such other person or persons as may from time to time be designated by general or special vote of the board of directors.

Section 6. Voting of Securities. Except as the board of directors may generally or in particular cases otherwise specify, the President may on behalf of the Corporation vote or take any other action with respect to shares of stock or beneficial interest of any other corporation, or of any association, trust or firm, of which any securities are held by the Corporation and

may appoint any person or persons to act as proxy or attorney-in-fact for the Corporation, with or without power of substitution, at any meeting thereof.

## Article VI

### CERTIFICATES FOR SHARES

Section 1. Share Certificates. Certificates representing shares of the Corporation shall be in such form as shall be approved by the board of directors from time to time, shall be signed by any two officers of the Corporation and shall be sealed with the seal of the Corporation or a facsimile thereof, provided that when any such certificate is countersigned by a transfer agent or by a registrar acting on behalf of the Corporation the signatures of the corporate officers and the corporate seal upon any such certificate may be facsimiles.

Section 2. Transfers of Shares. Transfers of shares shall be registered by the Corporation (or any transfer agent acting for it) upon the surrender of the certificate or certificates therefor, duly endorsed by the appropriate person or persons or accompanied by proper evidence of succession, assignment of authority to transfer, and complying with such other requirements as are established by law.

Section 3. Registered Shareholders. Except as otherwise provided by law, the Corporation may treat the person registered on the books of the Corporation as the owner of shares as the person exclusively entitled to vote, to receive notifications and otherwise to exercise all rights and powers of an owner; and the Corporation shall not be bound to recognize any equitable or legal claim to or interest in such shares on the part of any other person.

Section 4. Issue of New Certificates. In the event of the loss, theft or destruction of any certificates representing shares of the Corporation, the owner thereof shall be entitled to have

new certificates, for the same number of shares, issued in lieu of said certificates so lost, stolen or destroyed, upon satisfactory proof of ownership and upon the giving of such bond or security to the Corporation to indemnify it against any loss, cost, damage or expenses which may accrue to it by reason of the issue of said certificates in lieu of the certificates so lost, stolen or destroyed, as the board of directors may deem necessary.

#### Article VII

#### FISCAL YEAR

The fiscal year of the Corporation shall be determined by the board of directors.

#### Article VIII

#### INDEMNIFICATION

Section 1. Definitions. As used in this Article, the following terms will have the following respective meanings:

"Covered Act" means any act or omission by the Indemnified Person in the Indemnified Person's official capacity with the Corporation and while serving as such.

"Excluded Claim" has the meaning set forth in Section 4, of this Article.

"Expenses" means any reasonable expenses incurred by the Indemnified Person in connection with the defense of any claim made against the Indemnified Person for Covered Acts including, without being limited to, legal, accounting or investigative fees and expenses, including the expense of bonds necessary to pursue an appeal of an adverse judgment.

"Indemnified Person" means any officer or any or all of the directors of the Corporation or those one or more shareholders or other persons who are exercising any powers normally vested in the board of directors.

"Loss" means any amount which the Indemnified Person is legally obligated to pay as a result of any claim made against the Indemnified Person for Covered Acts including, without being limited to, judgments for, and awards of, damages, amounts paid in settlement of any claim, any fine or penalty or, with respect to an employee benefit plan, any excise tax or penalty.

"Proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

Section 2. Indemnification. Subject to the exclusions hereinafter set forth, by adoption of this Article the Corporation agrees that it will indemnify the Indemnified Person against and hold the Indemnified Person harmless from any Loss or Expenses.

Section 3. Advance Payment of Expenses. By the adoption of this Article, the Corporation agrees that it will pay the expenses of the Indemnified Person in advance of the final disposition of any Proceeding except to the extent that the defense of a claim against the Indemnified Person is undertaken pursuant to any directors' and officers' liability insurance maintained by the Corporation. The advance payment of Expenses will be subject to the Indemnified Person's first agreeing in writing with the Corporation to repay the sums paid by it hereunder if it is thereafter determined that the Proceeding involved an Excluded Claim or that the Indemnified Person was otherwise not entitled to indemnity under this Article.

Section 4. Exclusions. The Corporation will not be liable to pay any Loss or Expenses (an "Excluded Claim"):

- (a) For which payment is actually made to or on behalf of the Indemnified Person under such directors' and officers' liability insurance policy as may be maintained by the Corporation (except for any excess beyond the amount covered by such insurance);
- (b) For which the Indemnified Person is otherwise indemnified or reimbursed;
- (c) With respect to a Proceeding in which a final judgment or other final adjudication determines that the Indemnified Person is liable to the Corporation for: (i) a breach of the Indemnified Person's duty of loyalty to the Corporation or its stockholders; (ii) acts or omissions not in good faith or which involve intentional misconduct or knowing

violation of law; (iii) liability imposed pursuant to the provisions of Section 7-1.1-43 of the Act; or (iv) any transaction (other than a transaction approved in accordance with Section 7-1.1-37.1 of the Act) from which the Indemnified Person derived an improper personal benefit;

(d) For an accounting of profits in fact made from the purchase or sale by the Indemnified Person of securities of the Corporation within the meaning of Section 16 of the Securities Exchange Act of 1934 as amended; or

(e) If a final judgment or other final adjudication determines that such payment is unlawful.

Section 5. Notice to Corporation; Insurance. Promptly after receipt by the Indemnified Person of notice of the commencement of or the threat of commencement of any Proceeding, the Indemnified Person will, if indemnification with respect thereto may be sought from the Corporation under this Article, notify the Corporation of the commencement thereof. If, at the time of the receipt of such notice, the Corporation has any directors' and officers' liability insurance in effect, the Corporation will give prompt notice of the commencement of such Proceeding to the insurer in accordance with the procedures set forth in the policy or policies in favor of the Indemnified Person. The Corporation will thereafter take all necessary or desirable action to cause such insurer to pay, on behalf of the Indemnified Person, all Loss and Expenses payable as a result of such Proceeding in accordance with the terms of such policies.

Section 6. Indemnification Procedures. (a) Payments on account of the Corporation's indemnity against Loss will be subject to the Corporation's first determining that the Loss results from a claim which is not an Excluded Claim. Such a determination will be made:

(i) By the Board of Directors by a majority vote of a quorum consisting of directors not at the time parties to the Proceeding; or

(ii) If a quorum cannot be obtained for purposes of clause (i) of this subparagraph (a), then by a majority vote of a committee of the Board duly designated to act in the matter by a majority vote of the full Board (in which designation directors who are parties to the Proceeding may participate) consisting solely of two or more directors not at the time parties to the Proceeding; or

(iii) By independent legal counsel designated: (A) by the Board of Directors in the manner described in clause (i) of this subparagraph (a), or by a committee of the Board established in the manner described in clause (ii) of this subparagraph (a), or (B) if the requisite quorum of the full Board cannot be obtained thereafter and a committee cannot be so established, by a majority vote of the full Board (in which designation directors who are parties to the Proceeding may participate); or

(iv) By the shareholders.

The determination required by this subparagraph (a) will be made within 60 days of the Indemnified Person's written request for payment of a Loss, and if it is determined that the Loss is not an Excluded Claim payment will be made forthwith thereafter.

(b) Payment of an Indemnified Person's Expenses in advance of the final disposition of any Proceeding will be made within 20 days of the Indemnified Person's written request therefor. From time to time prior to the payment of Expenses, the Corporation may, but is not required to, determine (in accordance with subparagraph (a), above) whether the Expenses claimed may reasonably be expected, upon final disposition of the Proceeding, to constitute an Excluded Claim. If such a determination is pending, payment of the Indemnified person's Expenses may be delayed up to 60 days after the Indemnified Person's written request



therefor, and if it is determined that the Expenses are not an Excluded Claim, payment will be made forthwith thereafter.

Section 7. Settlement. The Corporation will have no obligation to indemnify the Indemnified Person under this Article for any amounts paid in settlement of any Proceeding effected without the Corporation's prior written consent. The Corporation will not unreasonably withhold or delay its consent to any proposed settlement. The Corporation may consent to a settlement subject to the requirement that a determination thereafter will be made as to whether the Proceeding involved an Excluded Claim or not.

Section 8. Rights Not Exclusive. The rights provided hereunder will not be deemed exclusive of any other rights to which the Indemnified Person may be entitled under the Act, any by-law, agreement, vote of stockholders or of disinterested directors or otherwise, both as to action in the Indemnified Person's official capacity and as to action in any other capacity while holding such office, and shall continue after the Indemnified Person ceases to serve the Corporation in an official capacity.

Section 9. Enforcement. (a) The Indemnified Person's right to indemnification hereunder will be enforceable by the Indemnified Person in any court of competent jurisdiction and will be enforceable notwithstanding that an adverse determination has been made as provided in Section 6 of this Article.

(b) In the event that any action is instituted by the Indemnified Person under this Article to enforce or interpret any of the terms of this Article, the Indemnified Person will be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by the Indemnified person with respect to such action, unless the court determined

that each of the material assertions made by the Indemnified Person as a basis for such action was not made in good faith or was frivolous.

Section 10. Severability. If any provision of this Article is determined by a court to require the Corporation to perform or to fail to perform an act which is in violation of applicable law, this Article shall be limited or modified in its application to the minimum extent necessary to avoid a violation of law, and, as so limited or modified, this Article shall be enforceable in accordance with its terms.

Section 11. Successor and Assigns. This Article will be (a) binding upon all successors and assigns of the Corporation (including any transferee of all or substantially all of its assets) and (b) binding on and inure to the benefit of the heirs, executors, administrators, and other personal representatives of the Indemnified Person. If the Corporation sells or otherwise transfers all or substantially all of its assets to a third party, the Corporation will, as a condition of such sale or other transfer, require such third party to assume and perform the obligations of the Corporation under this Article.

Section 12. Amendment. No amendment of this Article will be effective as to an Indemnified person without his or her written consent.

## Article IX

### Amendments

These By-laws may be altered, amended or repealed or new By-laws may be adopted at any annual or special meeting of the shareholders by the affirmative vote of the holders of a majority of the shares issued and outstanding and entitled to vote, provided, however, that notice of such alteration, amendment, repeal or adoption of new By-laws shall

be contained in the notice of such meeting. The board of directors shall have like authority to alter, amend, repeal or adopt new By-laws by affirmative vote of a majority of the number of directors fixed as provided in these By-laws, provided, however, that any action in that respect by the board of directors may be changed thereafter by the shareholders.

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SUBJECT: EMPLOYEE TRAINING	REFERENCE #9502
DEPARTMENT: OCEAN STATE HOME CARE	PAGE: 1 OF: 1
APPROVED BY: PENDING / DRAFT	EFFECTIVE: TBD
	REVISED: N/A

### **PURPOSE:**

- This policy establishes the purpose and general procedures for the employee orientation, training and development program

### **POLICY:**

- Ocean State Home Care is committed to fostering an environment that supports professional development for all employees.
- Training is a shared responsibility. Supervisory staff members are expected to regularly assess the skills of each employee under their supervision to determine training needs. In turn each employee is expected to inform his or her supervisor of any areas in which he or she is in need of training or additional training.

### **PROCEDURE:**

- Staff training needs shall be determined in conjunction with the Rhode Island Department of Health training requirements as stipulated in Department Rules and Regulations and in accordance with all state and federal requirements and laws.
- Ocean State Home Care shall maintain a written schedule of training and orientation for all new employees and a written schedule of ongoing training.
- Prior to working independently, every new employee shall work "shadow shifts" accompanied by experienced staff members. Shadow shifts allow the new employee the opportunity to observe, ask questions and become generally familiar with the job functions and the clients.
- Participation in ongoing training and professional development is an expectation of employment. Ocean State Home Care will provide opportunities for employees to acquire new skills and enhance existing capabilities.
- Training opportunities may include any or all of the following: one-to-one training with a supervisor at the work location; group training; cross training; off site in-services and seminars.
- All training is mandatory and is a condition of continued employment. Failure to attend training is subject to disciplinary action up to and including termination of employment.

SUBJECT: QUALITY ASSURANCE	REFERENCE #9503
DEPARTMENT: OCEAN STATE HOME CARE	PAGE: 1
	OF: 1
APPROVED BY: PENDING / DRAFT	EFFECTIVE: TBD
	REVISED: N/A

### **PURPOSE:**

- To ensure internal quality assurance mechanisms are administered in a timely, effective and consistent manner in order to determine and monitor service quality, health outcomes and overall customer satisfaction.

### **POLICY:**

- It is the policy of Ocean State Home Care to ensure the highest levels of quality service that produce outcomes, especially health related outcomes, that are satisfactory to the client, their families, the Rhode Island Department of Health, and all other stakeholders.

### **PROCEDURE:**

- The Director of Nursing Services shall be primarily responsible to ensure all services are provided in a timely, safe and effective way.
- To that end, a regular review of all client treatment plans shall be conducted and fully documented. Reviews shall occur on at least a monthly, quarterly and yearly basis.
- The reviews shall include of course the client, any family members or friends they chose, any guardian, representatives of the Rhode Island Department of Health, the Director of Nursing Services and other Ocean State Home Care staff as needed.
- Health outcomes shall be closely monitored and tracked in an internal data base.
- No less than bi-annually, or at any time requested by the client, their family or any other stakeholder, the regional management team shall meet to review the data and address any areas of concern.